



REPORT TO EDUCATION AND CHILDREN'S SERVICES COMMITTEE – 7 DECEMBER 2017

SCRUTINY REFERRAL FROM AUDIT COMMITTEE – PRIMARY SCHOOL PROCUREMENT

1 Recommendations

The Committee is recommended to:

- 1.1 Consider and determine the request from the Audit Committee to conduct the Committee Review Process in respect of the matter of service delivery identified by the Audit Committee for improvement.**
- 1.2 If the Committee determine to conduct the Committee Review Process, appoint the Head of Resources and Performance as the Lead Officer and agree that the Head of Resources and Performance will report to Committee with the Stage 1 Report on 22 March 2018.**
- 1.3 Instruct the Head of Resources and Performance to report to Audit Committee on January 31, 2018 with the Committee's decision.**

2 Background / Discussion

- 2.1** At a meeting of the Audit Committee on 21 September 2017, an Internal Audit report was received and considered. The Audit Committee identified a matter of service delivery for improvement being non-compliance with Financial Regulations and / or the Service's financial procedures in Primary Schools. The relevant extract of the report and the draft minute of the meeting is in Appendix 1.
- 2.2** The Audit Committee has powers relating to scrutiny of service delivery. Section G.2.2 of Part 2A of the Scheme of Governance allows the Audit Committee to request that a policy committee conduct the Committee Review Process in respect of a matter of service delivery, identified in an audit report for improvement.
- 2.3** [Part 4A of the Scheme of Governance](#) sets out how scrutiny at Aberdeenshire Council is carried out. The Committee Review Process (CRP) is a three-stage process. If the Committee are minded to initiate the CRP, the first stage is a report that will come back to this Committee on 22 March 2018. The report provides further information about the issue and the action being taken by the Service. In accordance with the CRP, the report should be delivered back to Committee within two months. However, this date can be extended by Committee. The committee meeting date of 22 March 2018 has been suggested as the Christmas holiday period lies between today's committee meeting and the next committee meeting on 1 February 2018. It is not

anticipated that the work required to prepare the Stage 1 Report could be properly and diligently completed in this shortened timescale.

- 2.4 In relation to the referral, the Service's explanation and comments on the issue are contained in Appendix 2.
- 2.5 The Committee's options are -
1. Agree the request from Audit Committee to start the CRP in respect of the matter of service delivery in paragraph 2.1 above and agree that the CRP Stage 1 Report will be reported to the meeting of the Education and Children's Services Committee on March 22nd, 2018.
 2. Do not agree the request from Audit Committee and agree the reasons why the CRP is not required.
- 2.6 The Head of Resources and Performance will report the Committee's decision to the meeting of the Audit Committee on January 31st, 2018.
- 2.7 If the Committee are not minded to conduct the CRP, then in accordance with Section G.2.2.b of Part 2A of the Scheme of Governance, if the Audit Committee determine that the report received from the Head of Resources and Performance does not provide sufficient reassurance then the Audit Committee may then conduct the CRP. Thereafter, the Audit Committee will report its recommendations to the Education and Children's Services Committee.
- 2.8 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

The Committee is able to consider and take a decision on this item in terms of Section E.1.1.b of the List of Committee Powers in Part 2A of the Scheme of Governance as the matter relates to Education and Section E.7 as the matter relates to the scrutiny of an education related matter of service delivery identified for improvement.

4 Equalities, Staffing and Financial Implications

- 4.1 An equality impact assessment is not required because the report is asking the Committee to discuss and comment on Internal Audit recommendations and there will be no differential impact on any of the protected characteristics.
- 4.2 There are no direct staffing and financial implications arising from this report.

- 4.3 The following Risks have been identified as relevant to this matter in the [Directorate Risk Registers](#) being the ECS Schools Risk Register. Risk Ref. AS007 relating to failure to keep knowledge, skills and training up to date.

Maria Walker
Director of Education and Children's Services

Report prepared by Edwin Duncan, ECS Business Support & Development Manager
Ann Overton, Senior Solicitor (Democratic Services) Legal & Governance

Date 11 October 2017

Appendix 1

Extract

REPORT TO THE AUDIT COMMITTEE – 21 SEPTEMBER 2017

INTERNAL AUDIT REPORTS

ITEM 4

4.10 Primary School Visits (Internal Audit Report 1808 – August 2017)

- 4.10.1 An audit of the financial records relating to six primary schools has been completed. The objective of the audit was to ensure all the schools had adequate procedures in place to manage the financial aspects of the establishment and complied with the Council's Financial Regulations.
- 4.10.2 The audit identified a number of areas of non-compliance with Financial Regulations and / or the Service's financial procedures. Whilst three of the schools visited had raised purchase orders in relation to all invoices paid, across the six schools 67 out of 490 invoices (13.7%) did not have an order, compared with 4.9% the last time primary schools were audited in 2016, although one school did account for 41 invoices (8.4%). The schools had not always used contract suppliers when they were available, and not all inventories had been maintained up-to-date. In relation to school funds one school did not have an up-to-date constitution, two had made purchases that did not comply with the terms of their constitutions, there was no monthly reconciliation of the fund balance to bank balance at three schools, those relating to the other three had not been reviewed by the Head Teacher, and two schools were not accounting for VAT correctly on photographic commission.
- 4.10.3 Similar findings have been reported by Internal Audit in the past and the Service has attempted to address these through the issue of circulars to all schools requiring compliance. In addition, an annual control compliance checklist is completed by all schools. In order to make improvements, the Service has agreed to implement the recommendations outlined in the report. (The report referred to is a confidential internal report from Internal Audit to the Service).

Extract from draft minute

Item 5 - That in respect of Primary School Visits, request that ECS Committee consider undertaking Stage 1 of the Committee Review Process in relation to the issues raised around the systems and processes used for procurement within schools and report back to the Audit Committee in due course.

Appendix 2

Internal Audit Report No. 1808 Primary School Visits consisted of an audit of 6 Primary Schools (less than 4% of the total number of Primary Schools being 152).

Of the 6 schools selected, three had purchase orders to support all invoices paid. Of the three remaining schools, one had been put forward for an audit visit by the Service on the basis it was recognised that there were issues, and an audit could identify areas for support.

Support mechanisms in place for Primary Schools relating to financial management And processes include the undernoted: -

- Module within the Head Teacher induction programme is dedicated to financial management
- Financial handbook available on Arcadia for Head Teachers and Administrators
- Annual 'audit compliance' visits which should identify areas where support is required. The compliance documentation has been compiled in conjunction with Internal Audit. Support actions required should be recorded with agreed timescales
- Financial training was provided to Primary School Administrators during May/June 2017. This will now be repeated on an annual basis
- Outwith formal training, Business Support Officers (BSOs) and CSN Support Services Coordinators can be contacted on an 'ad hoc' basis with support requests
- Peer support is normally offered to new Administrators

