

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 February 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – School Meals Income

1 PURPOSE

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

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 the internal controls surrounding School Meals Income was undertaken as part of the Audit Plan for 2017/18.
- 3.2 The main objective of the audit was to ensure that the internal controls in place 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

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT SCHOOL MEALS INCOME

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of School Meals Income was undertaken as part of the Audit Plan for 2017/18. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- For the sample of schools visited, we found that all school meals income received directly by the school kitchens was being processed through the cash registers in place.
- A record is held of all transactions processed through the cash registers – daily till rolls are retained by the school kitchens for audit purposes.

1.3 Areas with Scope for Improvement

- The existing procedures in place for administering school meals income require to be updated, to reflect the changes introduced to cashing up and banking processes. *Risk – an inconsistent approach may be adopted.*
- In some cases, there was a lack of a clear audit trail for school meals paid in advance – the existing processes operating within school offices and school kitchens require review. *Risk – errors and irregularities may occur and remain undetected.*
- The current process for recording refunds requires review – in some cases, there was a lack of evidence to indicate that refunds recorded on the till rolls had been verified by a second member of staff. *Risk – errors and irregularities may arise and remain undetected.*
- There was a lack of adequate checking mechanisms in place to ensure that school kitchens were complying with the cashing up and banking procedures. *Risk – errors and irregularities may arise and remain undetected.*
- There was a lack of monitoring arrangements in place to ensure that daily iport returns were being completed for all income received – in one case, there had been a failure by the school kitchen to submit an iport return. *Risk – errors and irregularities may occur and remain undetected.*
- In one school reviewed, there had been a failure to comply with the Procedure for Unpaid Lunch Money. *Risk – failure to recover all sums due.*

1.4 Summary

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

Mala Garden
Internal Audit Manager

February 2018

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the procedures in place for administering school meals income are reviewed and updated.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018
3.2.1	Management should ensure that a clear audit trail exists for school meals paid in advance to the school office.	Medium	Service Manager – Education (Strategy & Operations)	Agreed – procedures to be reviewed with Business Finance		June 2018
3.2.2	Management should review the adequacy and effectiveness of the arrangements operating within school kitchens for the recording and administering of school meals paid in advance.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018
3.3.2	Management should ensure the effective operation of the cash tills – cash floats should be provided for all tills operated by the school kitchens.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018
3.3.3	Management should ensure that all refunds made are verified by a second member of staff and a clear explanation recorded for the refunds.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.4	Management should ensure that appropriate checking mechanisms are in place to confirm compliance with the cashing up procedures.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018
3.4.1	Management should ensure compliance with the procedures in place for preparing cash for banking. Management should ensure that in the absence of the cook supervisor, a second member of staff with appropriate training is available to undertake the banking procedures.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018
3.4.2	Management should ensure that all income prepared for banking and handed by the school kitchen to the school office is properly receipted.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018
3.5.1	Management should ensure that monitoring arrangements are in place to confirm that iport returns are completed for all relevant periods – appropriate checks should be carried out between the Monthly Trading Returns and the iport records.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1	Appropriate arrangements should be put in place to ensure compliance with the Procedure for Unpaid Lunch Money.	Medium	Service Manager – Facilities	Agreed – FMS will take this forward		June 2018

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