

EXECUTIVE SUMMARY INCOME PROCEDURES IN SCHOOL KITCHENS

BACKGROUND

- 1 **The Education Catering Service is a non-profit making, traded service.** The aim of the service is to provide a viable, legally compliant, cost effective, customer focused food service. Education Catering Service operates this service to one hundred and twenty seven schools (Secondary, Primary and Special), producing four million meals per annum, providing breakfast, lunch and therapeutic diets for pupils, vending services, and occasional catering for business meetings. The service is supported by a shared administrative provision within Education and Lifelong Learning.
- 2 Free and paid school meals are the main source of income received by the Education Catering Service. Admin staff in primary schools are responsible for the recording of free and paid school meals, collecting and banking of paid school meals income. Income generated from revaluation machines located in secondary schools is emptied, collected and banked by the catering team in each school. Total amount of income collected (excluding the milk subsidy (£521,865)) by **the Education Catering Service** in 2017/18 was £10,799,586.
- 3 Discussions with key officers highlighted that the appetite to have the cashless catering system in primary schools is high. The cashless catering system is currently being rolled out across all primary schools on a piece meal basis.

MAIN CONCLUSIONS

- 4 An audit was undertaken of the income processes and procedures in place relating to school kitchens in November 2018, in accordance with the agreed terms of reference. Based on discussions with key officers and work undertaken, it is considered that the assurance rating that can be given is **unsatisfactory** in relation to the objectives agreed at the outset of the audit. In the absence of key preventative and detective internal controls, such as up to date cash handling and banking guidance notes, regular robust budget monitoring, independent monitoring of catering income records and a clear documented process for schools to support the consistent approach in the debt recovery process of dinner money arrears (including schools using cashless systems), the internal control environment is exposed, which leaves the service vulnerable to the high risk of errors and significant losses / fraud.
- 5 Collection of School Dinner Money guidance notes (5.SC.CA.324) are out of date and have not been reviewed by the Education Catering team since the senior management structure change which took place four years ago. Without up to date cash handling and banking procedures for school kitchens in place, there is a risk of weaknesses in the control framework, which may lead to financial impropriety / loss, inconsistent and poor quality of recording school meals and non-compliance with Financial Procedure Rules.

- 6 It was apparent no regular budget monitoring was undertaken for the Education Catering Service in its entirety to avoid revenue budget overspend or/and by individual schools to ensure that all income due has been received and banked. Absence of regular independent income monitoring controls exposes the service to a high risk of errors, mis-appropriation of monies and loss of income.
- 7 At the time of the audit, outstanding debt of school dinner monies totalled approx. £220,046. In addition, debt management information held separately on the NRS system for cashless schools showed a total debt of £12,695. A clear documented process for schools to support the consistent approach in the debt recovery process of dinner money arrears does not exist. The delay in starting the debt recovery process reduces the likelihood of recovering the debt and exposes the council to reputational risk which could result in parents deliberately not paying their arrears for current pupils.
- 8 Discussions with key officers highlighted that the appetite to have the cashless catering system in primary schools is high. Due to the lack of independent monitoring of catering income records at schools, it was suggested that the cashless catering system be rolled out across all primary schools at the same time, rather than piece meal, reducing the risks surrounding cash handling and to free up school office staff for other school duties.

RECOMMENDATIONS FOR ACTION

- 9 The audit report includes twelve recommendations for improvement going forward, all of which were agreed by Senior Management.

LATEST POSITION

- 10 Internal Audit will continue to monitor the internal control environment through discussions with management and the Recommendation Tracker, which allows managers to directly provide updates on the progress made towards implementing the audit recommendations, in accordance with agreed audit protocols. Internal Audit will monitor the delivery and progress made of audit recommendations and roll out of the cashless system, with the suggested follow-up audit undertaken at the appropriate time.