

REPORT TO: SCRUTINY COMMITTEE – 22 AUGUST 2012

REPORT ON: BALDRAGON ACADEMY : MISAPPROPRIATION OF INCOME AND CASH

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 310-2012

1.0 PURPOSE OF REPORT

To provide Members of the Scrutiny Committee with a summary of an investigation at Baldragon Academy in relation to the misappropriation of income and cash and action taken as a result of this incident.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

4.1 Dundee City Council is committed to protecting the public funds entrusted to it and under the Fraud Response Policy it states that suspected frauds will be thoroughly investigated. Whilst all cases of suspected fraud must be reported to internal audit there are a number of approaches which may be adopted with regard to the investigation which include an internal investigation being undertaken by the department concerned and internal audit acting in an advisory capacity.

4.2 The remit of the Scrutiny Committee includes provision to consider and monitor the effectiveness of the Council's anti-fraud and anti-corruption arrangements and to receive reports on an exception basis. The report attached at Appendix A is to advise Members of misappropriation of income and cash in relation to Council monies and School Funds by a former employee at Baldragon Academy which is deemed to be material and therefore should be reported on an exception basis. The summary includes action to date and any further areas where work is planned. In line with standard procedures all internal audit work will be formally reported to the Scrutiny Committee.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 10 August 2012

Client	Education
Subject	Baldragon Academy : Misappropriation of Income and Cash

Background

In September 2010 a meeting had been scheduled at Baldragon Academy between staff from the school and staff based at the Education Department's central HQ to discuss a number of financial queries. During the course of the meeting the school's Administrative Officer (AO) admitted to the Head Teacher to misappropriating of the order of £10,000 from school funds which equated to a sum due to a travel company for a recent school trip. The Chief Internal Auditor was notified of this matter in line with standard Council procedure and provided advise during the subsequent investigation.

Summary of Key Points and Action Taken

Summary of the formal investigation arising from the AO's admission

- The AO was suspended with immediate effect.
- A preliminary examination of records available, by the finance staff from the Education Department's central HQ, highlighted a number of areas where more detailed analysis was required.
- Through analysis of the records available for Baldragon Academy for the 2008/09 and 2009/10 academic years, reconstruction from other information and discussions with staff a shortfall of the order of £43,000 was identified. The vast majority of this was in relation to school fund activity (£33,000) and home economics and technical monies (£7,000). In all of the areas where shortfalls had been identified the AO had varying degrees of involvement on a day to day basis.
- The AO submitted a letter of resignation prior to the disciplinary hearing being held.
- Audit Scotland was formally notified in line with standard practice for first tier frauds.
- The matter was reported to Tayside Police. In June 2012 the former AO admitted in court that whilst working at Baldragon Academy she embezzled £30,000. This subsequently resulted in a compensation order for this sum, to be repaid from the pension contributions made whilst in the employ of the Council, and a custodial sentence being imposed.

Education Department : Remedial action taken as a result of this investigation

- The Education Department's Finance Section prepared a comprehensive report regarding Baldragon Academy detailing the areas where procedures and guidance had not been followed. These covered a number of areas including ordering goods, processing invoices, management of the devolved school budget and school fund administration.
- Implementation of the detailed recommendations for Baldragon Academy were taken forward through tailored training sessions to reinforce financial roles and responsibilities. Such training was delivered to all relevant teaching and non-teaching staff. In addition, specific follow-up review work was also undertaken to confirm that the school had fully implemented the recommendations.
- Following on from this incident specific training to re-emphasise financial roles and responsibilities was delivered to all Head Teachers.
- A training strategy with respect to financial management has also been drawn up to formalise previous arrangements. This covers scheduled refresher training and ad hoc training requirements such as the induction of new staff.

Internal Audit Service : Review work undertaken/to be undertaken

- A review of the administrative procedures and working practices operated at St Paul's RC Academy and Braeview Academy was undertaken. Reported to the Scrutiny Committee in April 2011.
- A review of further developments in the use of control self assessment questionnaires for schools by the Education Department was undertaken. Reported to the Scrutiny Committee in February 2012. A follow-up review of piece of work is included in the 2012/13 Internal Audit Plan.
- A high level review of the Council's approach to Fraud Governance is also included within the 2012/13 Internal Audit Plan. The proposed coverage is to review the existing arrangements and identify key development areas to improve robustness of procedures and practices.