

S.R. 2001/4  
SCOTTISH BORDERS COUNCIL  
EDUCATION DEPARTMENT  
OVERSPEND  
FINDINGS

**SR 2001/4 SCOTTISH BORDERS COUNCIL EDUCATION DEPARTMENT  
OVERSPEND****FINDINGS**

---

**Introduction**

The Accounts Commission has considered

- The Controller of Audit's report on the Scottish Borders Council Education Department overspend dated 4 October 2001
- Report by Education Working Group of Scottish Borders Council dated 8 October 2001 which was submitted by the council as part of its response
- Action plan submitted by Scottish Borders Council in response to the Controller of Audit/Education Working Group reports.

The Commission notes that the Council agreed unanimously to accept the report of the Controller of Audit. The Commission approves the conclusions of the Controller of Audit and bases its findings on the facts stated in his report.

**Findings**

1. The overspends in the Education budget were due to reasons summarised in paragraph 3.35 of the Controller's report. The reasons for failures in the Council's financial management of the Education Department's budget are summarised in paragraph 4.20 of the report. Both sets of reasons are attached as an Appendix.
2. While the Council had in place formal systems for financial management, there was a failure to apply those systems properly. This demonstrates a failure in governance in the Council, primarily due to organisational culture and attitudes.
3. The Education Committee of the Council failed to discharge their responsibility to monitor and regulate financial performance to achieve targets imposed by the Council.
4. Senior officers in the Education Department did not fully discharge their financial management responsibilities nor did senior officers in Financial Services fully meet the requirements of their responsibilities for financial administration.
5. The Commission welcomes the Council's prompt recognition of the remedial action which requires to be taken in the Council's action plan but emphasises the importance of
  - (a) identifying targets and milestones,
  - (b) ensuring that these are achieved,
  - (c) reporting regularly the projected outturn for 2001/02 to the Council, and
  - (d) taking appropriate action on those reports

6. The Commission requires the Controller of Audit to (a) monitor implementation of the action plan and (b) to make a further report to the Commission on the position at 31 March 2002.
7. The Commission draws to the attention of Scottish Councils a number of general concerns arising from its consideration of these matters.
  - Members of councils and senior management under the leadership of the Chief Executive have a responsibility to foster the culture and attitudes which are necessary for good governance
  - Part of a regime of good governance is the creation and implementation of procedures for the effective discharge of the statutory responsibilities of the Chief Financial Officer in relation to the overall financial management of the council
  - Officers who have delegated responsibility within services must also be accountable for budgetary matters and there should be appropriate machinery in place for monitoring and remedial action
  - Option appraisal remains one of the key mechanisms for achieving Best Value in service delivery
  - Careful consideration needs to be given to the operation of the devolved school management scheme to ensure that sound costing and monitoring procedures are in place.

15 November 2001

## 3.35

- Overspending in 2000/01 occurred across a number of budget heads.
- The budget setting process was flawed in a number of respects, including errors in costing and poor management co-ordination.
- There was a lack of monitoring and control of the Devolved School Management system and a failure to appreciate fully its impact on the Council's financial position.
- There has been a lack of proper budgetary control in relation to a number of service areas within the Education Department.
- Responsibility for operational management and budgetary control was not sufficiently well aligned within the Education Department. Complete responsibility for maintaining budgetary control was delegated by the Director of Education to the former Assistant Director of Education (finance and administration). As a result too much control rested with that one individual.

## 4.20

- A number of the deficiencies in the budgetary estimates were basic in nature and suggest that the budget setting process was not sufficiently rigorous.
- Budget monitoring within the Council is based upon a documented set of procedures involving officers from the Finance and service departments. In the case of monitoring and reporting on the Education budget, however, these procedures were not sufficiently followed in practice. In particular, excessive reliance was placed on assurances given by the Assistant Director of Education (finance and administration) despite projections from Finance officers that were inconsistent with these assurances.
- Budget monitoring reports in the joint names of the Director of Education and the Director of Financial Services were provided to the Education Committee in some cases without the full agreement of the Finance Department.
- The Director of Education did not ensure that the financial performance of the education service was properly monitored and therefore did not discharge fully his financial management responsibilities in terms of the Council's financial regulations.
- The joint monitoring reports presented to members by the Directors of Education and Financial Services significantly underestimated the eventual overspend and were based upon financial information which was not sufficiently robust and reliable to form the basis of sound administration of the Council's financial affairs.
- Reports presented to elected members were inadequate and inaccurate. Nevertheless, when presented with reports highlighting potential financial problems, the Education Committee failed to investigate the position or to consider appropriate courses of action to address these matters.
- Overall, there was a breakdown in the arrangements established by the Council to ensure the effective financial management of the Education Department's budget.

