

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	COMMUNITY SERVICES
AUDIT DESCRIPTION	SYSTEM BASED AUDIT
AUDIT TITLE	School Support – Education Maintenance Allowances
AUDIT DATE	November 2016

2016/2017



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of School Support – Education Maintenance Allowances (EMA's) as part of the 2016/2017 Internal Audit programme.

Launched in 2004, Education Maintenance Allowances (EMAs) provide financial support to 16 to 19 year-olds from low-income households who are attending non-advanced education in school, college, community or voluntary provision and those who are home educated as well as those on Activity Agreements. The programme aims to increase participation and retention in post-compulsory education. An EMA is normally restricted to a maximum period of 3 years from the first valid application

The Education Maintenance Allowances (Scotland) Regulations 2007 provides the legal framework for education authorities to pay EMAs to school students. EMA's are available to eligible students, comprising of a weekly allowance of £30 requiring 100% attendance at all timetabled sessions. Allowances can only be paid for each full week's attendance within term time, up to maximum of 42 weeks in any one academic year.

In order to receive an EMA a student must have an acceptable Learning Agreement in place. A learning agreement is an agreement between the student and the school that sets out the learning that will be offered and the responsibilities of both parties.

In the academic year 2015/16 266 pupils received payment of an EMA, with actual expenditure and a total reclaim of £261k.

2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to review the control environment of Education Maintenance Allowances. Controls included:

- Authority – Roles and delegated responsibilities are documented;
- Occurrence – Sufficient documentation exists to evidence compliance with policies and procedures;
- Completeness – All required documentation is accurately and fully maintained;
- Measurement – Evidence of secure control environment operating effectively;
- Timeliness – Applications are processed within required timeframes;

Regularity – Documentation is complete, accurate and not excessive; it is stored securely and made available only to appropriate members of staff.

3. RISKS CONSIDERED

- The system’s accuracy and effectiveness have not been assessed;
- The system, data and activities are not up to date;
- The system is not documented leading to a lack of awareness of processes and requirements;
- Authorities, roles and responsibilities have not been identified and assigned.

4. AUDIT OPINION

The level of assurance given for this report is High.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
Substantial	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
Limited	Internal Control, Governance and the management of risk are displaying a general trend of

	unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

<p>High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;</p> <p>Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;</p> <p>Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.</p>
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5. FINDINGS

The following findings were generated by the audit:

Internal Audit is placing reliance on the work undertaken on EMA's by the Council's External Auditors, currently Audit Scotland. An annual examination is undertaken of the EMA year end statements, the records and related accounts. The External Auditors certificate indicated that they were satisfied that the return made by the Council was fairly stated and in accordance with the EMA Business Model and guidance document.

Policies and procedures are documented in terms of the processes for EMA's and were found to be up to date. These include:

- Administration procedures;
- School guidance;
- SEEMiS (Education Management System) EMA manuals;
- Scottish Government EMA guidance and processes;
- Standard EMA application forms are used ensuring consistency;

It was found that records are checked for completeness and accuracy, including:

- Attendance record checks are undertaken each term across all secondary schools by the Education central administration team;
- Creditor's payments in relation to student EMA payments are reconciled with records held by Education. Prior to creditor's payments being run an email is sent from Education detailing the expected payments;
- Authorisation processes for payments are appropriate;
- Strategic Finance undertakes monthly reconciliation checks against EMA payments made, claims and refunds.

It was evidenced that the Council complies with the requirement to promote EMA's through the Council website, the distribution of booklets to students, posters, and additionally texts messages are sent to parents of all eligible students.

It was found that in terms of the requirements set out, student payments are made on a fortnightly basis.

The SEEMIS (Education Data Management System) EMA module enables authorised users to process applications from eligible students. Access to the system is restricted by means of a user name and password.

The year-end statement, which is signed by the Head of Strategic Finance, was submitted to the Scottish Government within the required timeframe.

It was found that there are processes in place to ensure that applications are processed in a timely manner. Applications are sent direct to the central Education administration team who date stamp the application and record the date received on a database. There are processes in place to ensure that where all required documentation has not been received, timely reminders are sent to the requestor. Learning Agreements are appropriately signed by authorised school staff prior to forwarding to the central administration team.

6. CONCLUSION

This audit has provided a High level of assurance as internal control, governance and the management of risk are at a high standard with only marginal elements of residual risk. Policies and procedures are in place to meet the requirements set out by the Scottish Government. There were no findings identified as part of the audit.

Thanks are due to the Education staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.



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