

Argyll and Bute Council  
Internal Audit Report  
February 2020  
FINAL

# Pupil Equity Fund

Audit Opinion: Limited

	High	Medium	Low
Number of Findings	1	2	1

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## 1. Executive Summary

### Introduction

1. As part of the 2019/20 internal audit plan, approved by the Audit & Scrutiny Committee in March 2019, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to the Pupil Equity Fund (PEF).
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

### Background

4. The Scottish Government allocate PEF to local authorities to fund initiatives aimed at closing the poverty related attainment gap. Schools are allocated £1,200 for each child on their roll from primary one to third year who are registered for free school meals.
5. The total PEF allocated to the Council was £1,372,000 for 2019/20, £1,401,600 for 2020/21, and £1,315,200 for 2021/22. On average, in Argyll and Bute, 70-75% is allocated to primary schools and 25-30% to secondary schools.
6. Examples of PEF funded activities and interventions within Argyll and Bute are:
  - engaging with children and young people beyond school
  - partnership working
  - professional learning/leadership learning
  - research and associated evaluation to measure impact.
  - early Intervention and prevention
  - social and emotional wellbeing
  - targeted approached to literacy and numeracy
  - promoting a high quality learning experience.
7. Requirements for the Council to evaluate the impact of the funding are set out in the Scottish Government's National Operational Guidance, with local guidance issued to headteachers by the Council's Education Service as part of its Advice on School Self Evaluation and Improvement Planning 2017/18.

### Scope

8. The scope of the audit was to ensure there is an adequate system of control to ensure the accuracy and integrity of the administration of PEF and appropriate budgetary controls.

## Risks

9. The risks considered throughout the audit were:
- **Audit Risk 1:** Local guidance is not available, or adequate, to supplement the Scottish Government's national guidance
  - **Audit Risk 2:** Council recruitment procedures are not followed when appointing temporary staff
  - **Audit Risk 3:** The impact of PEF funding is not evaluated, demonstrable or measurable
  - **Audit Risk 4:** PEF funding not delivering desired outcomes is not reviewed
  - **Audit Risk 5:** PEF expenditure is not subject to appropriate monitoring.

## Audit Opinion

10. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
11. Our overall audit opinion for this audit is that we can take a limited level of assurance. This means that internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.

## Recommendations

12. We have highlighted one high priority recommendation, two medium priority recommendations and one low priority recommendation where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- PEF plans that comply with national guidelines should be prepared for all schools and be subject to internal review procedures
  - local PEF guidance should provide greater clarity over specific roles and responsibilities
  - the timetable for the Quality Improvement Team (QIT) visits to schools should be adhered to with issues identified translated into documented improvement actions
  - the PEF training plan in place for 2019/20 should be delivered and monitored.
13. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

## 2. Objectives and Summary Assessment

14. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

### Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
CO1	Appropriate local guidance exists which supplements the	Audit Risk 1	Reasonable	The Council has local guidance which supplements national guidance and is available to headteachers. The guidance could be strengthened by

	Scottish Government's national guidance			providing greater clarity over roles and responsibilities. Training for all school staff with responsibility for planning, leading and contributing to PEF being developed and delivered.
CO2	Recruitment procedures are applied when recruiting temporary staff	Audit Risk 2	High	The Council has appropriate guidance for the employment of staff using PEF funding. PEF funded posts are checked by a finance officer and approved by the Head of Service.
CO3	The impact of PEF funding and evidence of improvement is evaluated with clear targets for success set	Audit Risk 3 Audit Risk 4	No assurance	Detailed 2019/20 PEF plans have not been completed by the majority of schools and procedures to review and feedback on draft plans are not being carried out. The timetable for QIT visits to schools are not always complied with. Furthermore where QIT visits identify that a SIP required improvement required corrective action had not been documented in the action section of the evaluation sheet.
CO4	Spend is monitored in line with Council budget monitoring arrangements	Audit Risk 5	Substantial	Each school has a separate cost centre against which PEF budgets and expenditure are recorded. Assistant Finance Administrator (AFA) meet with headteachers to discuss financial monitoring.

15. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

Appropriate local guidance exists which supplements the Scottish Government's national guidance

16. The Scottish Government issued National Operational Guidance which sets out key principles that schools must adhere to if they are allocated PEF. In particular it requires that:

- headteachers have access to the full PEF allocation
- schools use PEF to deliver activities which are clearly additional to those already planned
- headteachers work in partnership with each other and their local authority to agree PEF use
- PEF should be closely aligned to existing planning and reporting procedures e.g. through school improvement planning with clarity provided to stakeholders on how PEF is used
- parents, carers, children, young people and other key stakeholders are involved in planning
- headteachers provide a clear rationale for PEF use based on robust contextual analysis
- school have plans in place at the outset to evaluate the impact of PEF which outline clear outcomes to be achieved and how progress towards these, and the impact on closing the poverty related attainment gap, will be measured.

17. The Council has drafted local guidance which is available to all headteachers and supplements the national guidance. It includes links to documents such as school planning templates to help schools complete their PEF plans.
18. The local guidance refers generically to the responsibilities of schools in regard to PEF but provides no clarity over the specific roles and responsibilities of the education management team and AFA's.

#### Action Plan 2

19. There is a PEF template entitled "School report on PEF expenditure and impact 2019/20" which requires schools to detail:
  - what they are planning to do with their PEF allocation
  - when and how progress will be measured
  - which of the 12 intervention areas they are addressing
  - how they are reporting on impact in 2019/20.
20. The template complies with the principles contained in the national guidance.
21. During 2019 a presentation was delivered to headteachers on the general PEF principles including which groups should be targeted and what would be deemed relevant PEF expenditure. The Council's PEF Education officer is still to develop a training work plan for all school staff with responsibility for planning, leading and contributing to PEF.

#### Action Plan 4

#### Recruitment procedures are applied when recruiting temporary staff

22. The Council has guidance for the employment of staff using PEF funding which covers the use of PEF funding for ring fencing positions for current employees, new employees, seconding an employee and temporary posts.
23. All proposed PEF funded posts are signed off by the Head of Service and checked by a finance officer to ensure there is sufficient PEF funding for the post.
24. There is no requirement for a redundancy provision as all teachers recruited using PEF funding are either in a full time employment post or on a fixed term contract.

#### The impact of PEF funding and evidence of improvement is evaluated with clear targets for success set

25. One of the key principles in the national guidance is that "*schools must have plans in place at the outset to evaluate the impact of PEF funding*" It requires those PEF plans to outline clear outcomes to be achieved, how progress towards these, and the impact on closing the poverty related attainment gap, will be measured and, if as a result of the ongoing monitoring, the plans are not achieving the results intended, that the plans should be amended.
26. Out of a sample of nine schools covering three of the four administrative areas within Argyll and Bute (representing 18% of the total 2019/20 PEF budget), eight did not have PEF plans which complied with the national guidance. For example a requirement of the national guidelines is that PEF should be closely aligned to existing planning and reporting procedures e.g. through school improvement planning with clarity to stakeholders on how PEF is used. Whilst all schools prepare an annual School Improvement Plan (SIP) a review of the SIPs for the nine sampled

schools highlighted that only two made reference to PEF and, even for those two, the detail was not sufficient to provide clarity to stakeholders over the use of PEF.

27. Subsequent discussions with relevant officers confirmed that detailed 2019/20 PEF plans had not been completed by the majority of schools despite the local guidance detailing the timeline that schools should have followed for the reporting of 2019/20 PEF plans. In particular the local guidance requires:

- schools to draft plans in consultation with colleagues, partners, children and young people and parents with support from the central team as required
- schools to submit plans to [argyllhouseareception@argyll-bute.gov.uk](mailto:argyllhouseareception@argyll-bute.gov.uk) as part of the School Improvement Plan no later than Friday 21 June 2019
- education management team to discuss PEF planning and contact schools for further information if required
- school plans to be revised as appropriate through school quality improvement visits in consultation with link Education Officers.

This process has not been consistently followed in 2019/20.

#### **Action Plan 1**

28. In September 2019 the PEF Education officer compiled a survey which all PEF funded schools were requested to complete. The purpose of the survey was to:

- collate information on the type of PEF interventions being employed across the authority, to assess common themes and to analyse their impact and success
- share information with schools about the types of intervention being used and to share best practice across schools
- gather information about when interventions are measured and how they are reported which will facilitate discussions with schools.

29. The survey included a series of questions including:

- How did you decide on PEF projects/interventions?
- Which stakeholders did you consult with in relation to PEF?
- What improvement areas have you focussed on?
- Which of the 12 interventions relating to PEF are relevant to your plan?
- Specify what measures you will use to measure the impact of your PEF intervention/project
- Identify when you measure each intervention?
- How will you report on progress and impact?

30. As at early November 2019, of the 73 schools who received PEF funding, 29 (40%) have completed the survey. Once all schools have completed the survey the information gathered will be useful in assessing the impact of PEF across the school estate and also identifying good practice and areas for improvement. However the survey does not address the issue of assessing compliance with the national guidelines and is not a robust mechanism for PEF planning.

31. Of the 29 who have replied to the survey, nine had not consulted with parents/families during PEF planning which is contrary to one of the key principles of the national guidance.

#### **Action Plan 1**

32. The QIT are required to perform quality improvement visits to all schools three times per year with PEF progress specifically assessed during visits 2 and 3. An assessment of each visit is

recorded by the Quality Information Officer (QIO). A review of visits for the academic year 2018/19 for the nine sampled schools highlighted:

- two schools had received the two required PEF assessments
- six only received one PEF assessment
- one had no PEF assessment.

33. QIOs are responsible for assessing SIPs with the assessment forms having an 'action section' detailing action required by schools where their SIP is assessed as needing improvement. A review of the QIO assessment for the nine sampled schools highlighted that where the QIO identified no reference to PEF in the SIP there was no documented corrective action for the school.

### **Action Plan 3**

#### Spend is monitored in line with Council budget monitoring arrangements

34. The Scottish Government advise the Council of the level of PEF on an annual basis and finance officers check that allocations have been correctly calculated to each school.
35. The Council's general ledger system has a separate cost centre for each school against which their PEF budget and expenditure is recorded. PEF financial monitoring reviews consider planned PEF spend, actual spend to date, and the forecast final spend as at 31 March. Spreadsheets are updated every two months by finance officers and issued to schools to allow them to monitor PEF expenditure.
36. Each school has an AFA who regularly meets with the headteacher to discuss financial monitoring and to ensure that each school cost centre reflects the appropriate budget spend.
37. As at 31 March 2019 the Council's 2018/19 PEF allocation (£1,372,920) was underspent by £465,310 (34%). As PEF funding relates to the academic year rather than the financial year the national guidance states "*Where schools are unable to spend their full allocation during the financial year, any underspent funds can be carried forward to the new financial year. We would expect that, other than in exceptional circumstances, it should be spent within the current academic year.*" At the end of the 2018/19 academic year the under spend had reduced to £116,410 (8%). As this has reduced to under 10% no audit matter has been raised.

## Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
High	1	<p><b>Creation of PEF Plans</b></p> <p>Out of a sample of nine schools, eight did not have PEF plans which complied with the Scottish Government’s national guidance. Discussions with officers confirmed the majority of schools had not created detailed 2019/20 PEF plans.</p> <p>Procedures, with associated timescales, exist for draft plans to be created and submitted to the education management team for review however these were not complied with in 2019/20.</p>	PEF may not be utilised for appropriate activity in line with national guidance and the Council may not be able to demonstrate PEF has been used appropriately with impact measured and monitored.	PEF plans will be in place for all school for the 2020/21 academic year and will be compliant with Scottish Government’s national guidance.	<p>Education Manager Education Officer</p> <p>30 September 2020</p>
Medium	2	<p><b>Local PEF Guidance</b></p> <p>The Council has local PEF guidance which refers generically to the responsibilities of schools in regard to PEF but provides no clarity over the specific roles and responsibilities of the education management team and AFA’s.</p>	There may be a lack of clarity over the roles and responsibilities of officers in relation to the management and administration of PEF.	Further information will be inserted into the Guidance which forms the first section of Argyll and Bute’s PEF Information Pack. The additions will detail specific roles and responsibilities of Education Officers and Managers in the context of PEF planning, implementation and monitoring, with accompanying timelines. The role and responsibilities of AFAs will also be included.	<p>Education Manager Education Officer</p> <p>31 March 2020</p>

<b>Medium</b>	<b>3</b>	<p><b>School Quality Improvement Visits</b></p> <p>QIOs are required to perform quality improvement visits to schools three times per year with PEF progress assessed during visits 2 and 3. Seven out of nine sampled schools did not receive the required number of PEF assessments during 2018/19.</p> <p>QIOs are responsible for reviewing SIPs with the assessment forms having an 'action section' detailing action required by schools where their SIP is assessed as needing improvement. A review of the QIO evaluation summary sheets for nine sampled schools highlighted that where the QIO identified no reference to PEF in the SIP the required corrective action had not been documented in the action section of the evaluation sheet.</p>	<p>PEF plans and progress may not be subject to appropriate monitoring or a robust process of review and improvement.</p>	<p>The Central Team recognises the importance of QI Visits to schools in the context of ongoing tracking and evaluation of PEF, and acknowledges the consequences of such visits not occurring. The Central Team will ensure all schools receive at least two visits which include discussion around PEF planning, implementation and spend in this and future academic sessions. Visits to be tracked by named Manager/Officer via discussion at regular Education Team Meetings.</p> <p>Education officers will ensure that any required actions are included in the assessment forms action section</p>	<p>Education Manager Education Officer</p> <p>30 June 2020</p>
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<b>Low</b>	4	<p><b>PEF Training</b></p> <p>During 2019 a presentation was delivered to headteachers on general PEF principles however wider training for all school staff with responsibility for planning, leading and contributing to PEF is still to be developed and delivered.</p>	<p>PEF may not be managed in an efficient, effective and consistent manner.</p>	<p>Training will be offered in March 2020 for school staff with responsibility for PEF planning/delivery. Training Resources will be centrally available and support offered whenever required by Central Team. The authority will ensure that a refresh of knowledge and skills is offered annually to those responsible for PEF planning and implementation, employing the most appropriate means of communication and delivery. PEF documentation will also be refreshed and updated as necessary on an annual basis. These measures will be reflected in the Annual Education Plan.</p>	<p>Education Officer</p> <p>31 March 2020</p>
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In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
<b>High</b>	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
<b>Medium</b>	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
<b>Low</b>	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

## Appendix 2 – Audit Opinion

Level of Assurance	Definition
<b>High</b>	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
<b>Substantial</b>	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
<b>Limited</b>	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.