

Argyll and Bute Council
Internal Audit Report
February 2022
FINAL

School Fund Governance

Audit Opinion: High

	High	Medium	Low
Number of Findings	0	0	0

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1. Executive Summary

Introduction

1. As part of the 2021/22 internal audit plan, approved by the Audit & Scrutiny Committee in March 2021, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to School Fund Governance.
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.
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. Argyll & Bute Council Schools operate individual school fund accounts for the purpose of controlling monies raised in relation to local school activities. The normal sources of income are donations, fund raising activities, contributions from pupils towards school trips and voluntary activities. These funds are administered and spent for the benefit of the school and do not come within the budget of, or under the direct administration of the Council.
5. Section 79 of the Education (Scotland) Act 1980 imposes a duty on the education authority to administer gifts of property or funds for behalf of any school or other educational establishment taking into account the wishes or intentions of the donor. Since the education authority is responsible for managing funds donated, whether or not they are earmarked for the benefit of a particular group, it is entitled to instruct that a uniform accounting system or guidelines for such a system be introduced. The Council have issued the 'Education Management Circular 1.10 which sets out instructions to schools in relation to how school funds will be managed.
6. In June 2020 the Education Management Circular (Circular 1.10) was updated following an audit of school funds in 2018-19. The audit raised eight action points.

Scope

7. The scope of the audit is to assess progress implementing Education Management Circular 1.10 following the 2018/19 Internal Audit Report.

Risks

8. The risks to be considered throughout the audit are:
 - **Audit Risk 1:** Failure to implement agreed actions
 - **Audit Risk 2:** Failure to have robust policies and procedures in place

Audit Opinion

9. 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 1 to this report.
10. Our overall audit opinion for this audit is that we can take a high level of assurance. This means that internal control, governance and the management of risk are at a high standard. We have not identified any material areas of weakness that require corrective action. Therefore there is no action plan attached to this report.

2. Objectives and Summary Assessment

11. 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	Education Management Circular 1.10 has been reviewed and updated to include all agreed actions in the 2018/19 audit report	Audit Risk 1 Audit Risk 2	High	Education Management Circular 1.10 has been reviewed and updated. It includes all the agreed actions from the 2018/19 audit
CO2	Education Management Circular 1.10 has obtained necessary approval	Audit Risk 1	High	The necessary approval of the updated Circular was received following presentation to management accordingly
CO3	Education Management Circular 1.10 has been circulated to all schools and has been implemented	Audit Risk 1 Audit Risk 2	High	Education Management Circular 1.10 was uploaded onto the Argyll & Bute website and circulated to schools
CO4	Training on Education Management Circular 1.10 has been provided to all relevant staff	Audit Risk 1	High	A PowerPoint presentation has been provided and circulated to relevant staff
CO5	A LEON training module has been developed and is available to all staff	Audit Risk 1	High	A module has recently been developed within the Councils' online training facility LEON and staff have been advised of the requirement to undertake this training

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

3. Detailed Findings

Education Management Circular 1.10 has been reviewed and updated to include all agreed actions in the 2018/19 audit report

13. Education Management Circular 1.10 (school fund procedure) manual was updated in June 2020 following an audit on School Funds in 2018/19 which identified a number of actions. The updated circular includes all actions that arose from the 2018/19 audit. The revised Circular provides guidance, including templates where appropriate for the following:

- school constitution
- expenditure request form
- unreceipted expenditure
- income deposit form
- record keeping
- reconciliations
- annual statements of income & expenditure
- audit process

Education Management Circular 1.10 has obtained the necessary approval

14. Following a Joint Services Committee Meeting (JSC) in January 2020 the new streamlined Circular 1.10 was considered. Following amendments to the document this was then reported to the Customer Services DMT in February 2020 and the Local Negotiating Committee for Teachers in September 2020 with both committees approving the document.

Education Management Circular 1.10 has been circulated to all schools and has been implemented

15. Following approval of the revised procedure, Education Management Circular 1.10 was circulated to all schools and management in July 2020 with the instruction to implement from August 2020.

Training on Education Management Circular 1.10 has been provided to all relevant staff

16. A training course for school fund management has recently been developed on the Council's online training facility, LEON, in addition a PowerPoint presentation has been circulated to relevant staff. Staff have been advised to complete the module at the earliest opportunity.

Appendix 1 – Audit Opinion

Level of Assurance	Definition
High	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.
Substantial	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.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness 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 placing 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 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.