

Argyll and Bute Council

Internal Audit Report

July 2022

FINAL

Education Maintenance Allowance-Verification Audit

Audit Opinion: High

	High	Medium	Low	VFM
Number of Findings	0	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 2022, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Education maintenance Allowance (EMA) Verification.
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. 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 Education Maintenance Allowance (EMA) programme offers means-tested financial support of up to £1,560 each year to encourage eligible young people from low income households to remain in non-advanced post-compulsory education. The education may be provided in schools, at home, or in the community. It therefore includes young people not enrolled at school who agree to take part in a programme which helps them to become ready for formal learning.
5. Eligibility for EMA payments depends on the young person's age, household income, and residency, as well as the validity of the course. Argyll and Bute Council manages the delivery of the EMA programme in respect of schools, home education, and all other learning.
6. EMA payments comprise a weekly allowance of £30 and are made by the council to eligible young people. The Scottish Government (SG) reimburses the costs incurred by the council through monthly payments of grant. There is also a statement of the total monthly amounts submitted after the end of the year. An allowance for the costs of administering the programme is also paid by the SG.
7. The SG have published technical guidelines namely TGM-EMA-21 to support auditors in the verification of EMA claims.

Scope

8. The scope of the audit was to assess that the Council is fully compliant with the Scottish Government guidelines document TGM-EMA 21.

Risks

9. The risks considered throughout the audit were:

- Audit Risk 1 – The Council fails to comply with the Scottish Governments document TGM-EMA-21

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 1 to this report.
11. 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. 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.

2. Objectives and Summary Assessment

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

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	The Council is fully compliant with the Scottish Government guidelines TGM-EMA-21	Audit Risk 1	High	Internal audit confirm that the grant claim for 2021-22 for EMA is fully compliant with the SG guidelines document TGM-EMA-21.

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

3. Detailed Findings

The Council is fully compliant with the Scottish Government guidelines TGM-EMA-21

14. The Councils arrangements for the completion of the year end statement are adequate. All relevant parts of the year end statement have been completed including certification of the statement by the section 95 officer.
15. Internal audit confirmed that the entries on the year-end statement agreed back to the total monthly claims.
16. A total of 204 students were eligible for EMA payments in 2021-22. A random sample of 10 records was chosen from the database and the following checks were made as regards the eligibility criteria as specified with the Scottish Government guidelines namely eligibility in regard to:
 - Proof of age
 - Income criteria
 - Residency in Scotland

- Valid course undertaken
- Learning agreement of activity received
- Attendance at courses confirmed

17. A review of the evidence supplied confirmed that all records examined were fully consistent with the eligibility criteria specified within the Scottish Governments guidelines document TGM-EMA.
18. Internal Audit confirmed that the additional administration cost of £3,105 recovered from the SG was consistent with the scheme requirements.

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
High	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.
Medium	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.
Low	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.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

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 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.