

Argyll and Bute Council

Internal Audit Report

July 2023

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 2023/24 internal audit plan, approved by the Audit & Scrutiny Committee in March 2023, 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. Regulation 3 of the Education Maintenance Allowances (Scotland) Regulations 2007 ("the 2007 Regulations") allows the Scottish Ministers to pay an education maintenance allowance (EMA) to provide support for eligible 16 to 19 year olds who are engaged in full-time education in school; undertaking a course of non-advanced education at home which has been approved by the education authority; or undertaking a course of non-advanced education elsewhere under the supervision of the education authority (including Learning Agreements/Action Plans). The 2007 Regulations form the basis of the EMA programme which aims to increase participation and retention in post-compulsory education, thus increasing skills and life chances for this group. EMA payments are made by the Council to eligible young people in school and other types of learning within the local authority area in accordance with the 2007 Regulations, and the EMA (Scotland) Guidance and Processes, provided that a young person is eligible for EMA, that a young person qualifies based on the EMA eligibility criteria and a signed learning agreement is in place.
5. The EMA programme offers means-tested financial support of £30 per week in arrears during term-time to eligible young people from low income households who are planning to continue in post-compulsory education. Eligibility for EMA payments depends on the young person's age, household income, residency, course validity and completion of a learning agreement detailing targets and attendance requirements.
6. The Scottish Government (SG) reimburses the Council for payments made to young people following submission of monthly grant claims and a year-end statement confirming the total of the monthly claims. A standard allowance for the costs of administering the programme as well as an additional £15 for each new application processed is also paid by the SG.
7. Audit Scotland published technical guidelines, TGN/EMA/21 in March 2021 and this was used 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 requirements as set out in the Offer of Grant for EMA 2022/23.

Risks

9. The risks considered throughout the audit were:
- Audit Risk 1 – The Council fails to comply with the provisions set out in the Offer of grant for EMA 2022-23

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 year-end statement has been completed in accordance with guidance.	Audit Risk 1	High	Appropriate arrangements are in place to process applications and payments and prepare and submit accurate monthly claims and year-end schedules. All payments and costs were confirmed on the Council's general ledger and verified on the claims submitted.
2	Young people have been correctly assessed for eligibility.	Audit Risk 1	High	A detailed review of a sample of 10 young people confirmed that EMA was appropriately awarded following submission of the required evidence in support of their applications.
3	Administration costs have been appropriately applied.	Audit Risk 1	High	The additional top-up administration cost has been applied to the monthly claims and correctly reflected in the year-end claim following an in-year adjustment.
4	Completion procedures have	Audit Risk 1	High	The claim forms submitted accurately reflected payments made and costs incurred in accordance with the terms

	been appropriately followed.			and conditions of the Offer of Grant. Claims and supporting evidence were reviewed, certified and confirmed to Scottish Government.
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13. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The year-end statement has been completed in accordance with guidance.

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 and signed by the Council's Executive Director/Section 95 Officer including schedules 4 to 7 as required in the Offer of Grant for EMA 2022-23 letter.

15. The entries on the year-end statement were reviewed and found to be consistent with the total of the monthly claims submitted and also with entries lodged on the Council's general ledger.

Young people have been correctly assessed for eligibility

16. A total of 200 young people were awarded EMA payments in 2022-23, from these, a random sample of 10 was chosen for detailed review of supporting documentation to confirm they met the eligibility criteria as set out below:

- Proof of age to confirm young person is between 16 and 19 years of age
- Household income below £24,421 (one child) or £26,884 (more than one child)
- UK citizen or qualifying non-national who are resident in Argyll and Bute area
- Course(s) being undertaken is/are valid and require attendance of at least 21 hours per week
- An agreement has been completed detailing learning goals and level of attendance required
- Attendance records confirming eligibility for each weekly payment made
- Back-payments were made in accordance with grant requirements

17. Evidence reviewed confirmed that all young people within the sample selected for review were appropriately awarded EMA following submission of the required evidence.

Administration costs have been appropriately applied

18. The Council is in receipt of a flat rate of £25k for administering the EMA programme, in addition to this, an administration cost of £15 per new applicant in receipt of at least one payment of EMA is available to claim. The administration cost was applied to monthly claims with a minor adjustment included in the December claim to amend a previous error. A total of £2,910 was recovered from the SG in respect of this element and was found to be consistent with the documented requirements.

Completion procedures have been appropriately followed

19. Testing carried out confirmed that payments were made in accordance with the grant terms and conditions and no adjustments required to be made.

20. An audit certificate was prepared and submitted to Scottish Government on 28 July 2023.

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.