

# Argyll and Bute Council

## Internal Audit Report

March 2024

FINAL

# Pupil and Public Transport

Audit Opinion: Substantial

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 1      | 1   | 2   |

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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 Pupil and Public Transport.
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. Section 51 of the Education (Scotland) Act 1980 (the 1980 Act) requires local authorities to make such arrangements as they consider necessary for the provision of school transport for pupils residing, and attending schools, in their area. Local authorities have a varied level of discretion in this regard and the arrangements that are established can include the provision of free school transport for some or all of the journey depending on a number of factors, for example, pupils who live beyond the statutory walking distance and are attending the school designated as the nearest appropriate catchment school. The statutory walking distance is defined in section 42(4) of the 1980 Act as being two miles for children aged under eight, and three miles for children aged eight or over.
5. The purpose of this core national legislation and subsequent equalities, health and transport legislation are multiple:
  - Provision of fair access to educational opportunities – the prime statutory power under sections 30, 42 and 51 of the Education (Scotland) Act 1980
  - Promotion of sustainable transport use
  - Benefits for both the school and the children by improving their health through active travel and reducing congestion caused by school runs, which in turn helps improve local air quality (The National Transport Strategy 2016)
  - Encourage pupil's independence and confidence, where possible
  - Reduce discrimination and promote equal treatment for all (Equality Act 2010)
6. When considering whether to make arrangements for the provision of school transport, local authorities are further required to have regard to the safety of the pupil, as well as to ensure that access to transport which meets the child's needs is provided. This may mean an alternative vehicle, such as a minibus or taxi, however there is no requirement to alter vehicles such as school buses to meet a person's needs.

7. Parents remain responsible for their child's journey to and from school or, where the authority is providing school transport (either through a dedicated service or local bus service), between home and the designated pick-up/drop-off point.
8. In Scotland, there is a 'presumption of mainstreaming' – this means that children and young people have the right to an education in a mainstream school, unless their needs cannot be met within that environment. Every mainstream Scottish school has a 'catchment area' fixed by the local authority. Children living within a catchment area are normally provided with a place at the school serving that specific geographical area. A group of primary schools in an area is normally associated with a single secondary school. Parents can make a request to place their child in any school under the management of the education authority. This is known as a placing request. Parents are responsible for the transport to the school in the placing request where it is not within their catchment area as the education authority does not provide transport for those pupils in receipt of a placing request.
9. Local authorities and other agencies have duties under the Education (Additional Support for Learning) (Scotland) Act 2004 (as amended) to identify, provide for and review the additional support needs of their pupils. Children or young people may require additional support for a variety of reasons, either for short periods of time or throughout their education. An additional support need (ASN) can arise for any reason and be of short or long term duration. Additional support may be required to overcome needs arising from the learning environment; health or disability; family circumstances or social and emotional factors.
10. For children with additional support needs (ASN) and where mainstreaming does not meet the needs of the child, they may be educated in a learning centre based in the school or where a learning difficulty or a physical impairment is particularly severe or complex, in a separate day school or residential school, which may be located out-with the pupil catchment area or in exceptional circumstances outside the Argyll and Bute Council area.
11. In determining individual transport needs, recommendations from school staff, Psychological Services, community and allied health professionals should be considered as well as information from parents or carers. In Argyll and Bute consideration of the needs of children with ASN, including home to school transport, is undertaken within the framework of the 'Getting It Right for Every Child' (GIRFEC) guidance from the Scottish Government.
12. The Education (Scotland) Act 1980 establishes the principle of offering vacant places on transport to non-entitled pupils and securing a payment for that place. This is known as a Privilege Rides seat and occurs where there are vacant seats on some contracted transport services and may be allocated to pupils who are not normally entitled to travel. If spare seats exist on dedicated school transport vehicles, parents can apply for a privileged rides seat for their child/children, which will be charged at a cost determined by the Council. Children attending an alternative to their catchment school by virtue of a placing request also have also the potential to be granted privilege rides. Privilege seats are not available on journeys which operate as registered local bus services.

## Scope

13. The scope of the audit was to review the methodology for Additional Support Needs transport spend; looking at scope for the potential of merging normal bus services with school/ASN transport; and the distance from home to school transport as outlined in the Terms of Reference agreed with the Fleet and Waste Transport Manager on 25 July 2023.

## Risks

14. The risks considered throughout the audit were:
- **Audit Risk 1:** Costing methodology for the provision of Additional Support Needs transport does not fully reflect all costs associated with providing the service.
  - **Audit Risk 2:** The Additional Support Needs placement review does not consider the impact of the transportation requirements, from home to school, on children and their families and may not encourage pupil's independence and confidence.

## Audit Opinion

15. 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.
16. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that 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.

## Recommendations

17. We have highlighted one medium priority, one low priority and two value for money recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- Consideration should be given to whether a cross service agreement between Education Services and the Integrated Transport team would be beneficial.
  - There would be benefit to reviewing both the volume of drivers and escorts managed and the current tasks undertaken by the School Transport Team to check that the current structure is sustainable and promotes sufficient resilience going forward.
  - Relevant parties should review and determine the most appropriate solution in dealing with the historic annual journal arrangement amounting to £0.331m, taking cognisance of any corporate budgeting processes that may be applicable.
  - Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.
18. 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

19. 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

|   | <b>Control Objective</b>  | <b>Link to Risk</b> | <b>Assessment</b> | <b>Summary Conclusion</b>  |
|---|---|---------------------|-------------------|--|
| 1 | The Council has a School Transport policy, procedures and Service Level Agreement in place, for the provision of ASN home to school transportation. | Audit Risk 2        | Substantial       | <ul style="list-style-type: none"> <li>• The Council has a School Transport policy and guide which contain clear eligibility criteria, takes cognisance of the statutory distance from home to school and provides comprehensive information for parents and carers. These are published on the <a href="#">School Transport</a> page of the Council's website.</li> <li>• Transport requests for children with ASN are internal documents submitted by Education Services.</li> <li>• There is no formal protocol or agreement in place that sets out the roles and responsibilities of each service nor standard timescales for submitting requests to the Integrated Transport team. Consideration should be given to whether a cross service procedure document would be beneficial.</li> <li>• There are extensive procedure notes for key tasks and systems. These are used for training staff and demonstrate good planning and provision for business continuity.</li> <li>• The School Transport team of 4.6 FTE office staff currently administer home to school transport for almost 300 ASN pupils across the whole Council area.</li> <li>• A review of the job descriptions and current tasks found elements of outdated narrative.</li> <li>• The Admin Officer Transport, LGE8, has line manager responsibility for one Assistant, plus all school transport drivers and pupil escort (approximately 200), in practice this is shared with the School Transport Manager, LGE12.</li> <li>• There would be benefit to reviewing the volume of staff managed by these two posts and the current tasks to check that the current structure is sustainable and promotes appropriate resilience going forward.</li> </ul> |
| 2 | The assessment of ASN placement reviews   | Audit Risk 2        | High              | <ul style="list-style-type: none"> <li>• Assessment of pupil's needs are carried out by specialist trained staff within Education, sometimes with support from Social Work Services. These reviews</li> </ul>  |

|   |   |              |             |   |
|---|---|--------------|-------------|---|
|   | considers the needs of the service user, their educational requirements and transport needs.  |              |             | <p>considers the needs of the service user, their educational and transport requirements.</p> <ul style="list-style-type: none"> <li>The School Transport team have a well-established and robust process for dealing with requests for home to school transport for pupils with ASN, this utilises existing transport on or near the required route to check for availability and suitability for the needs of the pupil, where possible.</li> </ul>   |
| 3 | There is a robust methodology for Additional Support Needs transport spend that fully reflects all costs associated with providing the service. | Audit Risk 1 | Substantial | <ul style="list-style-type: none"> <li>Budgets for the provision of Home to School transport are set as part of the Councils normal budget setting process using funding received via the Unrestricted Revenue Grant Allocation to the Council.</li> <li>A fixed annual amount of £0.331m is transferred via journal from Education Service to 'In House Pupil transport'. During discussions with senior staff, we understand that this arrangement is likely to have arisen from historical transactions which may have related to specific cases and/or services, relevant at that time. However, the specific justification for continuing this arrangement remains unclear, notwithstanding, this sum contributes annually to the provision of the ASN pupil transport service. Relevant parties should review and determine the most appropriate solution in dealing with this historic arrangement, taking cognisance of any corporate budgeting processes that may be applicable.</li> <li>Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.</li> <li>The School Transport Manager maintains a spreadsheet capturing the costs of in house transport. This is well managed, monitored and demonstrates that this Council is achieving best value while meeting its statutory requirements and the challenges of increased demand.</li> </ul> |

20. Further details of our conclusions against each control objective can be found in Section 3 of this report.
21. This internal audit review was due to be carried out in July, during the school holidays to minimise the impact upon the team, however, the commencement of fieldwork and testing was delayed due to long term ill health staff absence and the commencement of an external review of Roads and Infrastructure Services. We acknowledge that there may be some minor overlap with the potential findings and recommendations contained in these reports.

### 3. Detailed Findings

The Council has a School Transport policy, procedures and Service Level Agreement in place, for the provision of ASN home to school transportation.

22. The Council has a School Transport policy (the policy) which contains clear eligibility criteria and takes cognisance of the statutory distance from home to school. The policy clarifies that “transport covers a return journey each school day, to school in the morning and to home at the end of the school day.”
23. The Council’s policy on school transport is more generous than that required by statute and it outlines the circumstances in which the Council will provide transport, the main instances are:
  - Where a child at primary school, at the start of the school session, lives more than 2 miles away from the catchment primary school (by the shortest safe walking route)
  - Where a child at secondary school, at the start of the school session, lives more than 3 miles away from the catchment secondary school (by the shortest safe walking route)
  - Where the child has been recommended for transport on health grounds by a medical officer designated by the Education Service (these are internal transport requests).
24. The Integrated Transport Team have produced a School Transport Guide for parent and pupils (the guide) which condenses the information contained in the policy, this is reviewed annually and sets out:
  - What free school transport means, who is entitled to this and what transport is provided
  - Suggestions for healthy travel options to get to school
  - The responsibilities of the Council, schools, parents, pupils, bus and taxi operators and drivers
  - Safety information, frequently asked questions and complaint and contact details
25. The [school transport page](#) on the Council’s website sets out the Councils’ aims, the legislative requirements for parents and the Council and further provides all the relevant information in one place, including, links to find a school, copies of the policy, the guide and all application forms that parents and carers require as well as contact details should they require assistance.
26. Assessment of pupils needs are carried out within the framework of GIRFEC (Getting it right for every child) guidance from the Scottish Government, by specialist trained professionals within Education, sometimes with support from Social Work Services, while the logistical planning and management of the home to school transport is carried out by the Integrated Transport Team within Roads and Infrastructure Services.
27. Currently there is no formal protocol or agreement in place that sets out the roles and responsibilities of each service nor standard timescales for submitting requests to the School



Transport team. Consideration should be given to whether a cross service procedure document or service agreement would be beneficial.

#### **Action Plan 1**

28. The Integrated Transport team cover the whole geographic area of the Council and consists of 7.6 FTE office staff and approximately 200 part time and casual drivers and pupil escorts. Staff are split into two teams, with 3 full time staff undertaking duties relating to the administration and management of the external contracts required for pupil/school and public transport services and the School Transport Team with 4.6 FTE office staff, are responsible for the planning, set up and maintenance of the internal contracts for home-to-school pupil transportation including the management of drivers and escorts, vehicle maintenance and mini-bus hires. While we had discussions with both teams, the School Transport team were the main contacts during our work as they process and manage the ASN transport requests.
29. A review of the job descriptions and current tasks found elements of outdated narrative. The job description states the Admin Officer Transport LGE8 has line manager responsibility for one Assistant, plus all school transport drivers and pupil escort. In practice, the School Transport Manager (LGE12) manages the in house school transport office staff while the daily management of the drivers and escorts is shared with the Admin Officer Transport, with the nature and complexity of the issue determining who deals with it.
30. There is a School Transport emergency out of hour's phone number for drivers, escorts and parents to contact to report vehicle breakdowns, ill health of staff or pupils etc. Staff within the team have a rota to cover this between the hours of 5pm -10pm and 06.00am-9.00am. The current arrangements for standby and call out payments for the staff who are included on the rota are similar to that within Social Work Services, circa £14 per day for standby and a call out fee where applicable. In order to deal with issues raised, staff require detailed knowledge of the whole Council area and the pupil transport routes. While it is not compulsory for staff to be placed on the rota, it is not listed on the job descriptions.
31. There are extensive comprehensive procedure notes for operational tasks and processes, which reflect current working practices. The documents are aligned to both the policy and the guide and provide clear detail and instructions for staff. This demonstrates good planning and provision for business continuity and has been essential in enabling the team meet key deadlines during current staff illness and staff turnover within the past couple of years.
32. There would be benefit to reviewing both the number/volume of drivers, escorts and casual staff managed by Admin Officer Transport and the School Transport Manager and the current tasks undertaken by the School Transport Team to check that the current structure is sustainable and helps promote business resilience going forward.

#### **Action Plan 2**

33. In 2020 an Argyll & Bute Transport Consultancy study was commissioned to investigate options for the redesign of public and school transport services management, delivery and operation within the Council's area. This included an audit of Council home to school transport and supported local bus service network, ASN transport provision and the eligibility distance from home to school transport. The study considered amending the current policy on school transport to match the lesser statutory requirements but the report was inconclusive, highlighting that while there could be merit in principle, the practical applications of such a policy change would

need to be further considered. We are unaware whether this was reassessed since the report was finalised.

34. The statutory provision is age related while the school year has a broader catchment e.g. primary 1 can compose of pupils aged 4 to 6, meaning the practical implications of such a change would make school transport more complex to administer. These complexities and the addition of free travel for children via the Young Scot card scheme would need to be considered before any decision to amend the Council's policy is taken.

[The assessment of ASN placement reviews considers the needs of the service user, their educational requirements and transport needs.](#)

35. As noted in paragraph 26 above, the assessment of pupil's needs are carried out by specialist trained staff within Education, sometimes with support from Social Work Services where that is required. These reviews consider the needs of the service user, their educational requirements and transport needs.
36. Processes to build independent travel skills for children and young people are built into the assessment of transport requirements. Risk assessments consider whether integration onto public school transport is appropriate or whether a need for specific transport is more appropriate to the needs of the child.
37. Pupils needs can be assessed at any point but commonly transport requirements are considered/reviewed during transition from Early Learning and Childcare to primary one registration and transition to secondary school. Sometimes issues arising from transition from primary to secondary do not become known until the pupil undertakes the travel regularly. This can lead to requests at the start of term once pupils are attending the secondary, which can cause pressure points for School Transport team who have less time to make the necessary amended arrangements.
38. Where assessment has identified that the specific nature of a child's additional support needs results in the requirement for transport to and from school, the Named Person, usually the Head Teacher of the school, completes the transport application form, detailing the transport and other medical or social needs of the child. This information and the recommendation will be considered by the relevant Education Officer in the first instance for final agreement before emailing requests to the School Transport Team for processing.
39. Due to the sensitive nature of the information, testing of requests was carried out via observation of the School Transport Manager who performed a walk-through of the steps taken when initial requests or amendments are received. The process is well established and robust and utilises existing transport arrangements on or near the required route to check for availability and suitability of the needs of the pupil where possible.
40. The File Maker database system is used by the School Transport team to create, store and manage the transport arrangements for pupils. This is a comprehensive record which covers all the key information including, the type of transport, the contract number which identifies the driver/route, pick up location and time and whether an escort is required.

There is a robust methodology for Additional Support Needs transport spend that fully reflects all costs associated with providing the service.

41. The School Transport team are part of the wider Fleet, Passenger Transport and Waste team within Roads and Infrastructure Service. Budgets for this service are set by the Council as part of the Council's formal budget setting process using funding received from the Scottish Government via the Unrestricted Revenue Grant Allocation.
42. In addition to the annual budget allocation a transfer is received via journal of £0.331m from Education Services. During discussions with senior staff, we understand that this arrangement is likely to have arisen from historical transactions which may have related to specific cases and/or services, relevant at that time. However, the specific justification for continuing this arrangement remains unclear, notwithstanding, this sum contributes annually to the provision of the ASN pupil transport service. Prior to the Council restructuring of departments, the School Transport team were part of Education Services until transferring to the Fleet, Passenger Transport and Waste team within Roads and Infrastructure Service. It is likely that this journal may have been a legacy item from the old structure but has become an assumed element of financial contribution to the provision of ASN pupil transport costs. Relevant parties should review and determine the most appropriate solution in dealing with this historic arrangement, taking cognisance of any corporate budgeting processes that may be applicable.
43. A review of the budget associated with School Transport found that actual costs have exceeded the budget for the last two financial years, information for the financial year 2020-2021 is not included due to COVID lockdown.

| RIS - Pupil Transport In House | Annual Budget | YTD Actuals | Variance |
|--------------------------------|---------------|-------------|----------|
| 2021-2022                      | £1.36m        | £1.52m      | £0.152   |
| 2022-2023                      | £1.44m        | £1.68m      | £0.236   |

44. The over spend has been met from within the wider Fleet, Passenger Transport and Waste budgets, however, the increasing demand led service and rising costs for the provision of ASN home to school transport, together with demands on budgets within the wider team, has in part led to the request for this internal audit review.
45. As part of the Council's corporate budget monitoring processes, Education and Financial Services have advised the Council of significant budget pressure that is continuing to develop around meeting the needs of learners with the most complex needs, across Argyll and Bute. This budget pressure relates to an assessed demand led service for specialist teaching and support staff and specialist day provision.

### Action Plan 3

46. At its meeting on 28 September 2023 the Council acknowledged the growth in the number of children with a recognised ASN at a national level, and including within Argyll and Bute. Councillors agreed that lobbying of the Scottish Government, through COSLA in the first instance and in collaboration with other Scottish Local Authorities, to address the funding gap facing local authorities in meetings the costs associated with the needs of children and young people.
47. Requests for home to school transport for ASN placements are a direct driver for costs within the School Transport team, however these budgets sit within different Services, namely

Education and Roads and Infrastructure, so have different reporting structures. Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.

**Action Plan 4**

48. The School Transport Manager maintains a spreadsheet capturing the costs of in house transport, including allocations for annual fuel, vehicle related costs and driver and escort costs. This is a moving picture, but during the period covered by the review, there were 291 pupils receiving home to school transport at an estimated cost of £1.137m which averages at £3900 per pupil. It is our opinion this is well managed, monitored and demonstrates that this Council is achieving best value while meeting its statutory requirements and the challenges of increased demand.

## Appendix 1 – Action Plan

|        | No | Finding  | Risk  | Agreed Action  | Responsibility / Due Date   |
|--------|----|--|---|--|---|
| Low    | 1  | <p>Cross service agreement</p> <p>There is no formal protocol or agreement in place that sets out the roles and responsibilities of each service nor standard timescales for submitting requests to the Integrated Transport team. Consideration should be given to whether a cross service procedure document would be beneficial.</p>  | Lack of clarity may lead to unrealistic expectations of service staff, pupils and their families. | The School Transport Team to arrange a meeting /schedule of meetings with key partners in Education to discuss whether a cross service procedure document would be beneficial, to clarify timescales, aid understanding of each services' processes and create an avenue for raising and resolving any issues arising. | <p>Fleet, Waste and Transport Manager</p> <p>School Transport Manager</p> <p>Education Manager - Inclusion &amp; Equality, Education</p> <p>Depute Principal Educational Psychologist</p> <p>March 2025</p> |
| Medium | 2  | <p>Sustainability and resilience.</p> <p>Concerns regarding the sustainability and resilience of the current School Transport team structure. It is possible that the long term staff absence and staff turnover in recent years, may in part be linked to the volume of drivers and escorts managed by the Admin Officer Transport LGE8 and the School Transport Manager, in conjunction with the increased workload due to higher demand for home to school transport and other additional tasks.</p> <p>There would be benefit to reviewing both the volume of drivers and escorts managed by the Admin Officer Transport LGE8 and the School Transport Manager and the current tasks undertaken by the School Transport Team to check that the current structure is sustainable and resilient going forward.</p> | Business continuity risk.   | The job evaluation process is underway, this will include looking at tasks within the team and decisions will be made once the outcome of this is established.   | <p>Fleet, Waste and Transport Manager</p> <p>December 2024</p>  |

|     | No | Finding   | Risk   | Agreed Action   | Responsibility / Due Date  |
|-----|----|---|--|---|--|
| VFM | 3  | <p>Budget Alignment</p> <p>A journal is manually processed each year transferring the fixed amount of £0.331m from Education Services to the Pupil Transport In House cost centre. During discussions with senior staff, we understand that this arrangement is likely to have arisen from historical transactions which may have related to specific cases and/or services, relevant at that time. However, the specific justification for continuing this arrangement remains unclear, notwithstanding, this sum contributes annually to the provision of the ASN pupil transport service. Relevant parties should review and determine the most appropriate solution in dealing with this historic arrangement, taking cognisance of any corporate budgeting processes that may be applicable.</p> | Potential that all components of ASN pupil transport may not have been considered during Service Redesign. | Relevant parties will review and determine the most appropriate solution, taking cognisance of any corporate budgeting processes that may be applicable.                              | <p>Executive Director<br/>Kirsty Flanagan</p> <p>And</p> <p>Executive Director<br/>Douglas Hendry</p> <p>December 2024</p> |
| VFM | 4  | <p>Cost and demand pressure</p> <p>Requests for home to school transport for ASN placements are a direct driver for costs within School Transport team, however these budgets sit within different Services, namely Education and Roads and Infrastructure, so have different reporting structures. Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.</p>  | Increased demand for ASN pupil transport is not met by appropriate budget provision.                       | Cost pressures relating to the provision of ASN pupil transport will be discussed during budget holder engagement meetings and handled in accordance with corporate budget processes. | <p>Fleet, Waste and<br/>Transport Manager</p> <p>March 2025</p>  |

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.  |
| <b>VFM</b>    | 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 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.    |