

# Argyll and Bute Council

## Internal Audit Report

August 2024

FINAL

# School Funds and Management of Funds

Audit Opinion: Reasonable

	High	Medium	Low	VFM
Number of Findings	2	5	0	0

## Contents

<b>1. Executive Summary</b> .....	3
Introduction.....	3
Background.....	3
Scope.....	3
Key Dates.....	4
Risks.....	4
Audit Opinion.....	5
Recommendations.....	5
<b>2. Objectives and Summary Assessment</b> .....	5
<b>3. Detailed Findings</b> .....	8
Appendix 1 – Action Plan.....	15
Appendix 2 – Audit Opinion.....	19

## Contact Details

Internal Auditors: ***Annemarie McLean & Leanne Rennie***

Telephone: ***01700 501354***

e-mail: ***annemarie.mclean@argyll-bute.gov.uk***

[www.argyll-bute.gov.uk](http://www.argyll-bute.gov.uk)

## 1. Executive Summary

### Introduction

1. As part of the 2024/25 internal audit plan, approved by the Audit & Scrutiny Committee in March 2024, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to School Funds and Management of Funds.
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. All Argyll & Bute Schools operate individual school funds 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, voluntary activities etc. 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. As such, 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. Within Argyll and Bute there are:
  - 65 Primary Schools, 7 of which have a Gaelic unit
  - 4 2-18 schools
  - 1 Joint Campus
  - 1 Special School

### Scope

7. The scope of the audit was to review the process of compliance and conformance to School Circular 1.10 in relation to the management and control of School Funds. In addition, identification of any training gaps that may require to be addressed as outlined in the Terms of Reference agreed with the Head of Education: Performance and Improvement on 31 May 2024.

8. It was further agreed with Head of Education: Lifelong Learning and Support that the audit would visit eleven schools, including a balance of primary and secondary schools, ensuring the sample provided coverage across the Council's four administrative areas.
9. It was agreed that the purpose of the audit was to identify areas for process improvement to be applied consistently across the Council's school estate rather than it highlighting specific issues at an individual school level. The drafting of this report, and the recommendations for improvement contained within it, reflects this agreed focus on the process improvement. The schools visited during our review are set out in exhibit 1. Due to unforeseen issues we were unable to visit Arrochar Primary before schools closed for the summer holidays so have carried out limited testing of their processes.

#### *Exhibit 1 – Schools Visited*

Administrative Area	Secondary	School Roll	Primary	School Roll
<b>Bute &amp; Cowal</b>	Dunoon Grammar	745	Kirn Primary	298
	Rothesay Academy	277	North Bute Primary	27
<b>Helensburgh &amp; Lomond</b>			Arrochar Primary	39
			Colgrain Primary	256
<b>Mid Argyll, Kintyre &amp; Islay</b>	Campbeltown Grammar	381	Clachan Primary	11
			Ardrishaig Primary	90
<b>Oban, Lorn &amp; The Isles</b>	Tobermory High	151	Park Primary	216

#### **Key Dates**

10. The Terms of Reference provided provisional timescales for the review to take place, the actual dates are noted below.

#### *Exhibit 2 – Key Dates*

Stage	Actual Date
Terms of Reference agreed	31 May 2024
Fieldwork Commencement	03 June 2024
Draft Report issued	08 August 2024
Management Comments received	09 August 2024
Final Report issued	19 August 2024
Audit and Scrutiny Committee	05 September 2024

#### **Risks**

11. The risks considered throughout the audit were:
- **Audit Risk 1:** School Funds are not managed in accordance with Education Management Circular 1.10
  - **Audit Risk 2:** Reporting and monitoring of individual schools' funds is not carried out in accordance with Education Management Circular 1.10
  - **Audit Risk 3:** Staff, and Committee members, involved in the management of school funds have not received sufficient training.

## Audit Opinion

12. 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.
13. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that 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.

## Recommendations

14. We have highlighted two high priority and five medium priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - Education Management Circular 1.10, (the Circular), and its appendices, should be reviewed, clarified and updated to contain a checklist section on key tasks which can be used to document and confirm compliance;
  - Future updates and amendments to the Circular should be communicated to all relevant staff in schools;
  - The LEON module – School funds administration, should be updated to reflect any changes to the Circular and should be considered as mandatory for new committee members, new head teachers and new clerical staff in order to promote consistency and compliance;
  - Practical training should be provided for head teachers, committee members and clerical staff involved in the management and administration of school funds;
  - The Circular should be updated to state that Admin and Finance Assistants (AFAs) must be consulted prior to grant applications being submitted;
  - A central school funds grant register should be created and maintained for grants over £1,500; and
  - A standard procedure note for the annual income and expenditure statement returns should be created, this should include details of the checks/reviews and follow ups that will be carried out.
15. 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

16. Exhibit 3 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

### Exhibit 3 – Summary Assessment of Control Objectives

	<b>Control Objective</b>	<b>Link to Risk</b>	<b>Assessment</b>	<b>Summary Conclusion</b>
1	There is a general fund committee to provide governance of the school fund	Audit Risk 1	Reasonable	<ul style="list-style-type: none"> <li>Seven of eleven schools visited had a committee and a constitution which complied with the requirements of the Circular but only two were up to date.</li> <li>Four schools had no committee.</li> <li>Only two of seven constitutions detail the names and roles of the committee members.</li> <li>No schools are holding elections to appoint committee members.</li> <li>Only one school could provide a minute of meetings, most meetings are not formal or recorded.</li> <li>The Circular should be reviewed and updated to reflect digital working practices and to clarify roles and responsibilities.</li> <li>There are a significant number of staff changes within schools, the requirements within the Circular should be reviewed to ensure that they are flexible enough to be practically deliverable, these should include instructions for interim Head Teacher posts and cover for clerical posts.</li> </ul>
2	Training on Education Circular 1.10 has been provided to all relevant staff and Committee members	Audit Risk 3	Limited	<ul style="list-style-type: none"> <li>Feedback from schools found that some clerical staff and committee members are unaware of the Circular and therefore are unaware of the standard processes and templates to be applied and used. Future updates and amendments should be communicated to all staff in schools.</li> <li>There is a general lack of awareness of the LEON module – School funds administration - this should be considered as mandatory for new committee members, new head teachers and new clerical staff.</li> <li>Feedback from school is that practical training should be provided for head teachers, committee members and clerical staff involved in the management and administration of school funds.</li> <li>An Admin and Finance Assistant created a practical “How to guide” and a streamlined spreadsheet to support a member of clerical staff new to the process. These should be reviewed to see if they could be used to form training materials.</li> </ul>
3	Appropriate record keeping and banking	Audit Risk 1	Substantial	<ul style="list-style-type: none"> <li>All eleven schools have appropriate banking arrangements in place and maintain cashbook spreadsheets although two primary schools have paper versions.</li> </ul>

	arrangements are established			<ul style="list-style-type: none"> <li>Ten schools are performing monthly reconciliations between the cashbook and bank statements but seven are not subjecting their reconciliations to independent checking.</li> <li>All schools have robust processes, however, these do not fully follow the standard record keeping and cashbook arrangements laid out in the Circular.</li> <li>Most of the schools now operate online banking, the Circular and appendices should be updated to reflect and record these arrangements.</li> </ul>
4	There are appropriate measures in place to manage 'School Trip' accounts.	Audit Risk 1	Reasonable	<ul style="list-style-type: none"> <li>Two schools maintain separate trip accounts, seven use the general purpose bank account and in two small primary schools the parent council manage school trips fund.</li> <li>While schools have clear and robust records for trip accounts, it is not as per the instructions in the Circular.</li> <li>The Circular and templates should be updated to provide clarity on roles and responsibilities and to reflect current working practices.</li> </ul>
5	All income and expenditure is adequately recorded and authorised and cash handling arrangements are appropriate	Audit Risk 1 Audit Risk 2	Reasonable	<ul style="list-style-type: none"> <li>Only four schools have expenditure limits stated in their constitution</li> <li>Schools have robust records and could provide supporting documentation to evidence expenditure and income but this was not in the format detailed in the Circular.</li> <li>Meetings are not recorded, meaning there are instances where decisions to buy/purchase have been verbal, however payment is always authorised.</li> <li>Some expenditure has not been authorised in compliance with expenditure limits.</li> <li>Supporting documentation for income was not always retained in the school fund folder</li> <li>In two schools, although the Head Teacher was aware of the expenditure, they did not physically sign any paperwork.</li> <li>The Circular provides no instructions or processes where there is an interim appointment for the Head Teacher post.</li> <li>There is no process for advising when schools apply for grants and no school funds grants register is maintained.</li> <li>Schools have appropriate arrangements in place for securing cash and cheques.</li> </ul>
6	School fund accounts are subject to appropriate	Audit Risk 2	Limited	<ul style="list-style-type: none"> <li>Only five schools had made arrangements for school fund accounts to be independently audited.</li> </ul>

	audit and record retention			<ul style="list-style-type: none"> <li>• In two schools the Parent Council Treasurer independently audits the school fund accounts.</li> <li>• Twenty six of the eighty schools asked, did not submit an annual Income and Expenditure Statement for 2022-23.</li> <li>• Limited checks are carried out on annual returns received and there are no spot checks/reviews of individual schools' processes.</li> <li>• There is scope to set up a standard procedure which should include details of the checks or reviews and follow ups that will be carried out.</li> </ul>
--	----------------------------	--	--	--

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

### 3. Detailed Findings

[There is a general fund committee to provide governance of the school fund](#)

18. The Circular requires that each school has a general fund committee which includes the Head Teacher, depute plus elected representatives of the teaching staff and parents. It also requires the committees to have, as a minimum, a chairperson, secretary and administrator. Of the eleven schools visited and tested:

- seven have a committee with membership complying with the Circular;
- none have parent representation;
- four are not aware of the Circular and have no committee at all.

**Action Plan 1**

19. The Circular requires schools to hold elections every two years to appoint committee members however none of the schools have held elections in the past two years. Committee members tend to have either volunteered or been asked to be involved. Membership of committees only tends to change if a member leaves with a replacement sought by asking for a volunteer at a staff meeting.

**Action Plan 1**

20. The Circular requires each school fund committee to have a written constitution which defines the committee's role, membership and powers of co-option, and provides a template constitution, in appendix 1, which schools can use but stresses that the template should be regarded as illustrative and that a school may choose to add other details to their particular constitution. Only two of the constitutions detailed the names or signatures of committee members, both these schools also detail the authorised bank signatories. This is good practice and the template constitution in appendix one should be updated to require the names and role of committee members, their signatures and authorised bank account signatories.

**Action Plan 1**

21. Seven of the eleven schools visited and tested had a written constitution with these predominantly mirroring the template provided in the Circular, of these one detailed the same expenditure limits suggested in the template and six had their own limits. A review of the



Circular found that this contains different information regarding the authorisation of expenditure than Appendix 1 constitution template. This should be reviewed and updated.

**Action Plan 1**

22. Secondary schools are required to have a payments sub-committee. Two of the secondary schools constitutions state they have a sub-committee, in one it is the same members as the actual committee and the other in practice doesn't have one. When asked, schools questioned the value of having a separate committee. During the review of the Circular, consideration should be given to whether having a payments sub-committee is practical and still required for secondary schools.

**Action Plan 1**

23. The Circular requires schools to hold fund committee meetings 'as often as necessary', but at least one per term for secondary schools and once a year for primary schools. These meetings are supposed to be minuted. Only two of the schools visited holds fund meetings and one schools minute them. The Circular should be update to clarify whether meetings are required to support decisions to buy.

**Action Plan 1**

24. There are a significant number of staff changes within schools, the requirements within the Circular should be reviewed to ensure that they are flexible enough to be practically deliverable, in particular these should include instructions for interim Head Teacher posts and cover for clerical posts. Discussions with staff and testing shows that often there is a reliance on one member of clerical staff. This been highlighted in some schools where issues have arisen where staff are either absent for a period of time or because the time taken to recruit for leavers has resulted in a lack of handover.

**Action Plan 1 and 4**

[Training on Education Circular 1.10 has been provided to all relevant staff and Committee members](#)

25. As a result of an Internal Audit of School Funds in 2018-19, significant work was undertaken to review and have approved, Education Management Circular 1.10 (the Circular) and a supporting School Funds LEON training module. The impact of lockdown and the subsequent remote working arrangements caused a delay in the roll out of the updated Circular, until 2021-22. The revised Circular was uploaded onto the Council's internal website and circulated to Head Teachers along with an announcement that the LEON training module was available and should be completed.

26. Feedback from schools found that some clerical staff and some committee members are unaware of the Circular and therefore are unaware of the standard processes and templates. Future updates and amendments should be communicated to all relevant staff in schools.

**Action Plan 2**

27. There is a general lack of awareness of the LEON module – School funds administration; this should be mandatory for new committee members, new head teachers and new clerical staff. The LEON module will require to be updated to reflect amendments to the Circular.

**Action Plan 3**

28. Discussions with school staff and AFAs, highlighted that the impact of lockdown and subsequent restrictions led to schools having less expenditure via school funds as trips and events etc. were cancelled/postponed and the focus was on implementing new ways of working. This is likely a contributing factor to lack of impact of the roll out of the updated Circular and the launch of the LEON module.
29. The AFAs have no involvement in the school fund processes but do provide practical advice when asked by clerical staff or Head Teachers, this tends to be in secondary schools where the AFAs are the Line Managers of the office clerical staff. Some have provided training and others point clericals towards the Circular and LEON module.
30. With the exception of the LEON module, no formal training programme or support is in place for those involved in the management and administration of school funds. The majority of staff responsible for the administration of the school fund are clerical staff who have been trained by previous staff members (handover training) or developed knowledge over time. This is in part reflected in the inconsistent practices across schools visited.
31. Feedback from school is that practical training should be provided for head teachers, committee members and clerical staff involved in the management and administration of school funds. Staff said that finding time for training has proved difficult while still completing their normal work/tasks.
32. An Admin and Finance Assistant created a practical “How to guide” and a streamlined spreadsheet to support a member of the clerical staff new to the administration of the school funds processes. These should be reviewed to see if they could be used to form part of new training materials.

#### Action Plan 4

##### Appropriate record keeping and banking arrangements are established

33. The Circular sets out a series of requirements in relation to how schools should maintain financial records and manage bank accounts. Exhibit 4 sets out a summarised position of compliance with these requirements for the twelve schools visited.

##### Exhibit 4 – Compliance with required Record Keeping and Banking Arrangements

Requirement	Compliant Schools
School fund bank account in school name with no reference to the Council	11
Head teachers maintain list of school bank accounts detailing account name, number, branch and account signatories	4
Three, or more, signatories for bank accounts with two required to operate	11
Cashbooks maintained within which all income and expenditure is recorded	10
Monthly reconciliations between cashbook and bank statements	10
Monthly reconciliations checked by second person	3
Income lodged intact (expenditure not taken out of income prior to banking)	11
Frequency of banking determined by head teacher (no less than weekly)	11

34. Local banking arrangements and a move away from cash have contributed to the use of online banking. Six schools currently have online banking arrangements in place with another one in the process of setting this up. Some banks only require one person to make online payments,

this contradicts the two signatures required for a withdrawal. The process of making payments is different from authorising expenditure and schools could provide evidence that expenditure was authorised prior to the payment being made. The Circular and appendix 1 template constitution should be updated to include instructions/ guidance for the use and recording of on line banking authorisations.

**Action Plan 1**

35. All schools visited have mainly robust processes, however, these do not fully follow the standard record keeping and cashbook arrangements laid out in the Circular. Eight were maintained in Microsoft Excel, two were hand written in books and we were unable to test one. Although the information contained in the cashbooks bore similarities to the standard template provided in Appendix 5 of the Circular, none were the same.

**Action Plan 1 & 3**

36. Although all ten schools do perform monthly reconciliations between their cashbook and the bank statement, only three have the reconciliation checked by a second person. Some of the reconciliations were carried out on sticky notes on the bank statement, this is not sufficient in terms of compliance. The Circular should contain a checklist section on key tasks which must be adhered to. Consideration should be given to whether this checklist should be submitted as part of the annual returns process in order to evidence compliance, these could then be subject to spot checks.

**Action Plan 1 and 5**

[There are appropriate measures in place to manage 'School Trip' accounts.](#)

37. The Circular acknowledges that schools may not have a separate 'School Trip' bank account but rather will only operate one school funds bank account. Three schools maintain separate trip accounts, six use the general purpose bank account and in two small primary schools the parent council fund and manage school trips.
38. The Circular provides instructions for school trips, requiring that a note of the amount held in relation to each trip be maintained and that at the conclusion of each trip an income and expenditure statement should be prepared and the balance, if not zero, should be transferred to the main school fund account/balance. There is no description of roles and responsibilities, in particular there is no mention that class teachers as trip leaders are usually responsible for taking payments for these trips. Offering parents and carers the option to either make an online payment to the school fund and the trial of the iPay system, has reduced the amount of cash handled by teachers and clerical staff.
39. Six schools maintain a separate cashbook for trips, two have separate lines on the general purpose cashbook and two have no records as this is handled by the parent council. While schools have clear and robust records for income and expenditure for individual trips, it is not as per the instructions in the Circular. Only one school had balanced some trips back to zero, but this was done just prior to our visit and although some trips are balanced out, no schools prepare income and expenditure statements. Some trips are re-occurring and schools have ongoing fund raising for these. The Circular and templates should be updated to provide clarity on roles and responsibilities and to provide guidance on standard working practices going forward.

**Action Plan 1**

All income and expenditure is adequately recorded and authorised and cash handling arrangements are appropriate

40. The Circular requires all income and expenditure to be recorded in a cashbook and be supported by appropriate documentation which should be recorded as per instructions set out in appendix 5. As stated in para 37 above, cashbooks bore similarities to the standard template but none were the same. In addition, expenditure should be authorised in compliance with expenditure limits established by the schools constitution. One school couldn't be tested fully, but for the ten schools visited:

- seven had constitutions, four of these had established limits but only two could evidence that all expenditure had been authorised in compliance with these limits;
- all ten recorded expenditure in the cashbook which was supported by appropriate documentation, although not always in the standard format detailed in the Circular;
- some expenditure has not been authorised in compliance with stated expenditure limits.
- there was no unauthorised expenditure;
- all provide receipts for income, but four don't record these in the cashbook
- all income is lodged intact;
- supporting documentation for income was not always retained in the school fund folder;
- all ten schools have appropriate arrangements in place for securing cash and cheques and the frequency of banking;
- we were provided assurances by all schools that cheques, where used, are fully completed before they are signed
- meetings are not recorded, meaning there are instances where decisions to buy/purchase have been verbal, however payment is always authorised;
- in two schools, although the Head Teacher was aware of the expenditure, they did not physically sign any paperwork;
- as noted previously, there are no instructions for interim head teacher posts, with head teachers not being added as a bank account signatory until they are permanent.

41. Where schools use Council approved suppliers to purchase items, usually via PECOS and pay for items through the Council purchase cards, the process followed by clerical staff to record this via a google spreadsheet and arrange a payment to reimburse the Council. AFAs monitor and reconcile these transactions as part of the budget monitoring process.

42. The Circular states that schools must ensure that the Education Authority has knowledge of any grant application for monies made to third parties that involve the school fund. There is no established process for this, schools do not maintain a grants register and discussions with AFAs found that they will only be advised in some cases and usually only after the application has been submitted.

43. Our review of income to school funds found that one school had a large donation for a specific purpose but the email correspondence for this has not been saved in the shared school fund folder on the server. Another schools' cashbook showed a large donation but we were unable to test this before the school holidays. The concern is that some of these funds may be grants or have been donated for a specific purpose, both are likely to have conditions attached and we could not establish if these have been accurately recorded or whether there was appropriate supporting evidence available. The Circular should be updated to state that AFAs must be

consulted prior to grant applications being submitted to ensure that the applicant is the correct beneficiary and that income and expenditure is accurately recorded. Additionally, a central grant register, covering all schools, should be created and maintained.

**Action Plan 1 and 5**

**School fund accounts are subject to appropriate audit and record retention**

44. The Circular requires schools to submit an annual income and expenditure statement be prepared by the administrator and signed by all the bank account signatories. Testing of the year ended 2022-23 established that:

- there is no actual procedure note for the central education teams task,
- the standard template, appendix 7, doesn't state that all bank signatories should sign this and it is not included with the email issued by the central education team;
- only limited information is recorded when returns are received;
- there is only one follow up email issued when returns are not received, usually December;
- twenty six of the eighty schools, (32.5%), failed to submit an annual Income and Expenditure Statement;
- the format, style and quality of the annual statement varied considerably across the schools visited, with only two schools statements signed by all bank signatories;
- no sample checks/reviews or audits are carried out;
- one of the schools tested, has not submitted a return since year ending 2018/19 and there is no comment or explanation on the returns spreadsheet;
- the cumulative balance for the fifty four schools who submitted a return was £0.94m;
- two of the larger secondary and one of the larger primary schools had significant balances and there is no comment or explanation on the returns spreadsheet to say if these have been queried.

There is scope to set up a standard procedure which should include details of the checks/reviews and follow ups that will be carried out.

**Action Plan 6**

45. The cumulative school fund balances noted above are circa £1m, this is mainly administered by clerical staff with minimal financial training. AFAs should have sufficient oversight of all secondary schools and primary schools with larger pupil role counts. Risks to the Council from non-compliance or inaccurate recording of grants and donations would be mitigated by the financially trained AFAs having an overview to ensure income, beneficiaries and expenditure is recorded accurately and through the appropriate channel. This would also provide financial support and reassurance to head teachers.

**Action Plan 7**

46. Schools are required to have their school fund audited on an annual basis by a person unconnected to the administration of the fund. The auditor is required to sign the cashbook and annual income and expenditure statement to evidence the performance of the audit. Our review highlighted that:

- only five schools had made arrangements for their statements to be audited;
- no school gets the auditor to sign the cashbook;

- good practice was identified where two school fund accounts had been reviewed by the Parent Council Treasurer. This is good as Parent Councils have knowledge of the school and its activities which provides good scrutiny of the school fund.

Schools should be reminded of their responsibility to have the school fund accounts independently audited. Consideration should be given to a task or calendar reminder for this and other key tasks or events be set up, either as part of the Circular or the annual statement of income and expenditure process.

**Action Plan 1 and 5**

47. Discussions with staff confirm all schools retain records in accordance with the requirements.

## Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
High	1	<p><b>Education Management Circular 1.10 and appendices</b></p> <p>As detailed in the report, there is a lack of adherence to the standard practices contained in Education Management Circular 1.10 and since the last update in 2020 there have been changes to working practices.</p> <p>A summary of the points in the report will be provided in a list for ease of reference.</p> <p>The Circular and its appendices needs reviewed, clarified and updated and should contain a checklist section on key tasks which can be used to document and confirm compliance.</p>	School Funds are not managed in accordance with Education Management Circular 1.10	Working Group to be established including HT, AFA, Clerical, Finance Rep to review and update circular	School Services Support Manager  28 February 2025
Medium	2	<p><b>Communicating amendments and updates</b></p> <p>Feedback from schools found that some clerical staff and some committee members are unaware of EMC 1.10 and therefore are unaware of the standard processes and templates.</p> <p>Future updates and amendments to EMC 1.10 should be communicated to all staff in schools.</p>	Staff involved in the management of school funds are unaware of the requirements within EMC 1.10 and standard procedures are not followed.	Following update of Management Circular information will be cascaded to HTs and clericals. Will be put on HT agenda for discussion	School Services Support Manager  31 March 2025
Medium	3	<p><b>LEON School Funds Training Module</b></p> <p>The LEON module should be updated to reflect the amendments to EMC 1.10 and its appendices.</p> <p>Additionally this module should be considered as mandatory training for staff involved in the administration and management of school funds including: all new committee members, new/interim head teachers and new clerical staff.</p>	Staff, and Committee members, involved in the management of school funds have not received sufficient training and standard procedures are not followed.	LEON will be updated in line with updated to circular and will be made a mandatory training for staff involved in the administration and management of school fund.	School Services Support Manager  30 April 2025

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	4	<p><b>Practical Training</b></p> <p>With the exception of the LEON module, no formal training programme or support is in place for those involved in the management and administration of school funds. This is in part reflected in the inconsistent practices across schools visited.</p> <p>Practical training should be developed and provided for head teachers, committee members and clerical staff involved in the management and administration of school funds.</p>	Staff, and Committee members, involved in the management of school funds are unaware of the requirements within EMC 1.10 and standard procedures are not followed.	Training on school fund procedures will be carried out. Who will carry out the training will be clarified as part of the management circular review	School Services Support Manager 30 June 2025
HIGH	5	<p><b>Grants</b></p> <p>The Circular states that schools must ensure that the Education Authority has knowledge of any grant application for monies made to third parties that involve the school fund. There is no established process for this.</p> <ul style="list-style-type: none"> <li>The Circular should be updated to state that AFAs must be consulted prior to grant applications being submitted to ensure that the applicant is the correct beneficiary and that income and expenditure is accurately recorded.</li> <li>A central grant register for grants over £1,500, covering all schools, should be created and maintained.</li> </ul>	Grant income may not be accurately accounted for and evidence of compliance with conditions may be readily available.	Circular will be updated to reflect an instruction that AFAs must be consulted prior to grant applications being submitted. A central grant register for grants over £1,500, covering all schools, will be created and maintained. Any grants over £1,500 will have to be reported to Finance and this will be reflected in the updated circular.	School Services Support Manager 30 April 2025
Medium	6	<p><b>Annual income and expenditure statement returns</b></p> <p>There is no procedure note for this central education teams task; no template is issued; only one follow up is issued; only limited information is recorded when returns are received; no sample checks/reviews or audits are carried out. For the year ended 2022-23, twenty six out of eighty schools (32.5%) failed to submit a return.</p> <ul style="list-style-type: none"> <li>A standard procedure note for the annual income and expenditure statement returns should be created, this</li> </ul>	Reporting and monitoring of individual schools' funds is not carried out in accordance with Education Management Circular 1.10.	Returns will be submitted in line with the timescale for CARP documents. There will be a procedure note established for this. There will be 2 general reminders issued and non-returners will be referred to the School Services Support Manager for follow up	School Services Support Manager 31 October 2024



	No	Finding	Risk	Agreed Action	Responsibility / Due Date
		<p>should include details of the checks/reviews and follow ups that will be carried out.</p> <ul style="list-style-type: none"> <li>• Consideration should be given to whether the checklist for key tasks which must be adhered to, should be submitted as part of the annual returns process to evidence compliance, these could then be subject to spot checks.</li> </ul>			
Medium	7	<p><b>Financial oversight of school funds in secondary and larger primary schools</b></p> <p>The cumulative school fund balances are circa £1m, this is mainly administered by clerical staff with minimal financial training. To ensure income and expenditure is accurately recorded through the appropriate channels, Admin and Finance Assistants, should have oversight of all secondary schools and primary schools with larger pupil role counts.</p>	School funds may not be getting managed appropriately	AFAs will be instructed to have oversight of the school fund in all secondary schools and primary schools with rolls over 80	School Services Support Manager 30 April 2025

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 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.