

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Title of the Audit: Education Services and Financial Services – Pupil Equity Funding

1. Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of Pupil Equity Funding (PEF). This is additional funding allocated to schools by the Scottish Government to target the closure of the poverty related attainment gap. It is in addition to the Scottish Attainment Challenge (SAC) funding which Glasgow City Council receives. 2017/18 was the first year that PEF was made available. The total PEF allocation to Glasgow City Council for 2018/19 was £21.8m, with allocations to 193 individual establishments, based on the number of pupils in each establishment registered for free school meals, ranging from £6k to £326k.
- 1.2 Scottish Government guidance makes it clear that Headteachers are responsible for developing plans for the use of their school's allocated funding, and arrangements to monitor and assess its impact. Support and resources have been made available from Education headquarters and Financial Services (FS), such as proposal templates, a framework for measuring impact and financial monitoring. Headteachers have responsibility for their school's budget which comprises core funding, SAC and PEF.
- 1.3 Where staffing, procurement of goods and services, or ICT is purchased using PEF, Headteachers have been advised to follow the Council's existing policies and processes.
- 1.4 The scope of the audit was to ensure there are sufficient and appropriate controls in place covering the management of

PEF. The scope of the audit included a review of:

- Guidance, resources and support for Headteachers;
- Financial monitoring, year end and carry forward processes;
- Arrangements for measuring and monitoring the impact of PEF interventions;
- Reporting to senior management, elected members and Scottish Government on the use of PEF;
- A sample of plans developed by Headteachers;
- Grant award offers and acceptances, and grant terms and conditions.

2. Audit Opinion

- 2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and three recommendations which management should address.

3. Main Findings

- 3.1 We are pleased to report that key controls are in place and generally operating effectively. Procedures produced by Education Services were available to Headteachers providing guidance and templates to aid in the management of PEF. National Guidance from the Scottish Government is also

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available to Headteachers. Outputs from PEF and other attainment initiatives have been reported to the Glasgow Improvement Challenge Team using appropriate template formats, and results collated and reported to the Education, Skills and Early Years Policy Committee.

3.2 However, our audit testing found that there are areas where improvements could be made. Headteachers are provided with the financial position of their school's PEF budget in the form of a four-weekly monitoring report. We reviewed a sample of school monitoring reports, and established that errors occurred in two of the 15 sampled reports. Consequently Headteachers may overspend their PEF budget, if they are unaware that the remaining budget in the current year is less than the figure contained within their monitoring report. This could alter their carry forward amounts at year end, and lead to a lower annual PEF budget in future years.

3.3 There is a requirement to sign a Statement of Compliance with the Conditions of the Grant noted in the Scottish Government PEF Grant Award letter. Whilst we confirmed this occurred we noted it was not signed by the correct officer.

3.4 As recommended in a previous audit report, a central register of all grant funding activity across the Council was created and is maintained, to help manage grant funding risks. This requirement applied to all Services and was circulated to officers within each Service. However PEF was not recorded on this register for either 2017/18 or 2018/19.

3.5 We also found examples where goods and services which were procured using PEF were not compliant with the Council's procurement rules. The explanation provided by Education for this was that the Service wanted to get the PEF process up and running and knowingly failed to comply with some procurement processes, but agreed that retrospective approval would be sought. We have made recommendations in a previous audit report of Non-Contract Spend which once implemented by Education Services, should address the risks associated with this, therefore we have not made additional recommendations in this report.

3.6 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	1
Low	Lower level controls absent, not being operated as designed or could be improved.	2

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- 3.7 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.8 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.9 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Adequate budget monitoring and control arrangements have been developed to take into account PEF funding and expenditure				
1	<p>Headteachers are provided with four-weekly monitoring reports from FS detailing their PEF related spend against budget. The auditor reviewed a sample of 15 schools' reports and found errors in two of these.</p> <p>When comparing the staffing costs in the reports to the PEF Master Staffing List held by Education Finance (part of FS), it was established that there were five employees who were not contained in the staffing section of the statement. Furthermore there was one employee's salary costs which had been reported inaccurately. Lastly, one employee had been allocated the incorrect full time equivalent (FTE) which impacted the salary costs within report.</p> <p>These errors have led to Headteachers being provided with reports containing inaccurate financial information. There is a risk that Headteachers overspend against their PEF budget, as they are unaware that the budget remaining in the current financial year is less than reported in the monitoring statement. This could alter any carry forward amounts at year end, and lead to a lower PEF budget in future years.</p>	<p>FS Admin and Finance Assistants, in conjunction with Headteachers at their next regular meeting, should undertake a check to ensure that all staffing information contained within the latest PEF Monitoring reports reflects the PEF Master Staffing List. This will help to ensure that all PEF related staffing costs incurred within the current financial year are accurately reflected in the budget monitoring reports.</p> <p>Thereafter, checks should be undertaken at appropriate intervals to confirm that any staffing changes funded either in full or in part by PEF are updated in the monitoring report to ensure this reflects the most up to date financial position.</p>	Medium	<p>Response:</p> <p>FS Corp Finance and FS CBS will review and mitigate errors which occurred.</p> <p>Officer Responsible for Implementation:</p> <p>FS Corp Finance (ES) FS Service Delivery Manager</p> <p>Timescale for Implementation:</p> <p>31 July 2019</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Grant offer letters are accepted and returned to the Scottish Government promptly, and terms and conditions of grant funding are adhered to by the Council.				
2	There is a requirement to sign a Statement of Compliance with the Conditions of the Grant noted in the Scottish Government PEF Grant Award letter. Whilst we confirmed this occurred we noted it was not signed by the correct officer.	Education Senior Management should ensure that from 2018/19, Schedule 3, the Statement of Compliance with the Conditions of the Grant, is signed annually by the Executive Director of Finance.	Low	Response: Agreed Officer Responsible for Implementation: Head of Resources Timescale for Implementation: 30 April 2019
Key Control: Grant Income received by the Council is logged in the External Grant Register				
3	An External Grants Register is maintained by the Council to log all grant funding arrangements. The PEF grant award was not logged within this register in either 2017/18 or 2018/19, as it was not reported by the Service to the appropriate officer. A comprehensive central register of all externally funded projects or initiatives is required to help the Council manage funding risks and the inclusion of the PEF award would ensure that this funding is part of funding risk assessment.	Education Senior Management should advise the officer responsible for maintaining the External Grant Register when PEF funding is awarded each year.	Low	Response: Agreed Officer Responsible for Implementation: Finance Manager (Education) Timescale for Implementation: 30 June 2019