

# Free Early Education Funding City of York Council Internal Audit Report 2013/14

Business Unit: Adults, Children & Education  
Responsible Officer: Assistant Director – Education and Skills  
Service Manager: Head of Childcare Strategy & Business  
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	P3	P2	P1
Findings	1	1	0
Overall Audit Opinion	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

All 3 and 4 year olds are entitled to 15 hours of free Early Years education per week. The full 15 hours have to be taken over a minimum of two days per week. Between 2.5 and 10 hours can be taken in one day and the hours can be split over two settings.

The entitlement of 15 hours per week covers a 38 week school year but this can be stretched across 48 or 51 weeks of the year. This equates to 11 hours for 51 weeks and 11.75 hours for 48 weeks.

From September 2013 some 2 year olds are also eligible for the funding provided they are looked after by the authority or meet the criteria used to determine eligibility for free school meals.

The council gives providers funding based on the number of funded hours claimed by eligible children at their setting.

## Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that procedures and controls within the system ensure that:

- settings are claiming funding correctly;
- payments made to settings are effectively controlled and overpayments are minimised;
- national codes of practice are complied with;
- data protection requirements are being met.

## Key Findings

The weaknesses identified during the audit relate to the lack of parental declaration forms for two year olds and the failure of a number of settings to register as data controllers with the Information Commissioner. This is due to a number of Early Years settings failing to comply with policies or failing to update their procedures following communications issued by the central team rather than due to a lack of central guidance. While at this stage these weaknesses do not represent a major control weakness, it is likely that further weaknesses will develop without regular contact and updates from the central team, particularly if further changes are made to the eligibility criteria for funding.

## Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

## Area Reviewed: Provider registration with the ICO

Severity  
Probability



### 1 Issue/ Control Weakness

Failure to comply with data protection requirements.

### Risk

Failure to comply with data protection requirements, resulting in potential fines from the Information Commissioner.

### Findings

Only three settings visited during the audit were satisfactorily registered with the ICO. The remaining seven settings visited were not aware of the need to register with the Information Commissioner and had not made enquires to establish whether they were required to do so or whether they were exempt from registration.

### 1.1 Agreed Action

The service will continue to provide policy updates and reminders to providers via the termly funding letter. Information sessions will be arranged at children's centres over the summer and providers will be invited to attend. The next funding letter and the summer sessions will include details of the need to register with the ICO.

Priority

3

Responsible Officer

Policy and Planning  
Manager

Timescale

02/09/14



**2 Issue/ Control Weakness Risk**

Declaration forms have not been requested or retained for two year olds claiming funded hours.

Parents are unaware of their obligation to claim no more than 15 funded hours. Without documentation of hours claimed by parents, providers may submit a claim for an incorrect number of hours.

**Findings**

In September 2013, two year olds meeting certain criteria became eligible to receive funded hours. In six out of ten providers tested, the settings did not hold declaration forms for any of their funded two year olds. These declaration forms are required in order to ensure that parents are aware of their obligations and to evidence the funding claims made by settings.

**2.1 Agreed Action**

The service will continue to provide policy updates and reminders to providers via the termly funding letter. Information sessions will be arranged at children's centres over the summer and providers will be invited to attend. The next funding letter and the summer sessions will explain to providers what declaration forms are required for funded places for two year olds.

<b>Priority</b>	2
<b>Responsible Officer</b>	Policy and Planning Manager
<b>Timescale</b>	02/09/14

## Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.