



Funded Early Education

City of York Council

Internal Audit Report 2018/19

Business Unit: Children, Education and Communities Directorate
Responsible Officer: Assistant Director, Education and Skills
Service Manager: Early Years and Childcare Sufficiency Manager
Date Issued: 1st August 2019
Status: Final
Reference: 11140/009

	P1	P2	P3
Actions	0	1	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

All 3 and 4 year old children in England are entitled to 570 hours of free early education a year. This allocation is typically taken as 15 hours a week over 38 weeks during term time; however, it can be used flexibly within limitations. Since autumn 2016, eligible 3 and 4 year olds have been able to claim extended funding for an annual total of 1140 hours, or 30 hours per week. The extended funding is available to children whose parents are in work and are earning the national minimum wage or living wage for at least 16 hours per week. This extended funding can also be claimed by parents who are on a statutory work-based absence such as sick leave or parental leave.

Early education funding is also available for eligible 2 year old children. In order to claim 15 hours per week for 2 year olds, parents must be in receipt of a benefit that may include: Job Seekers' Allowance, Income Support or Universal Credit.

Currently, all claims for children aged 3 and 4 years old are processed centrally through HMRC. However, the council is responsible for processing claims made for funding for 2 year old children. The council makes termly payments, whereby 85% of funding is paid to early education providers in the first week of term and the remaining funding, plus any amendments to figures, are completed at around the mid-point of each term.

In line with the recent introduction of GDPR (General Data Protection Regulation), it is important that all providers and are working towards compliance with the latest legislation. It is important that each early education provider has compiled an Information Asset Register and has issued updated Privacy Notices to parents and guardians of those children in their attendance.

Objectives and Scope of the Audit

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

- Providers are claiming funding correctly;
- Payments made to providers are effectively controlled and overpayments are minimised;
- Eligibility for funding to 2 year olds is assessed in line with national guidance;
- Data Protection requirements are being met by providers.

Key Findings

Overall, there were good systems in place to enable the identification of any overpayments made to providers. A log was maintained to ensure that, once identified, overpayments could be recovered promptly.

A sample of ten providers was visited across the city, where funding for terms Autumn 2017 and Spring 2018 was reviewed. Unlike previous audits, the sample for this audit included two childminder settings for review.

Testing confirmed that all settings were able to demonstrate an effective invoice process, where parents and guardians had been correctly invoiced for only those hours taken in addition to the funded entitlement. In addition, nine of the ten settings held a well organised registration system where reconciliations were taking place to ensure that any non-attendance was promptly identified and parents and guardians contacted. However, two settings were found to have some attendance issues. During an on-site visit, the setting without an organised registration system in place discovered that they had claimed funding for a child who had not attended at all during that funded term. This setting immediately contacted the council who confirmed that this would be reviewed. A second setting confirmed that they had experienced attendance issues with four children during one of the terms tested. However, the setting also confirmed that all four instances had already been reported to the council's funding team.

Four of the settings presented some issues with supporting documentation, as each was unable to locate at least one parental declaration form. Of these settings, one provider was unable to present any parental declaration forms for either Autumn 2017 or Spring 2018 and confirmed that these had not been completed for the last two years.

The setting where no parental declarations were available for either of the terms reviewed also confirmed that they had not attended a funding guidance session in recent years. Two other providers also stated that they had not attended a recent guidance session, despite one setting undergoing new management recruitment. There were also some discrepancies identified with the date of birth checks expected to take place at each setting. One provider was not checking and confirming dates of birth at enrolment stage. Two providers were undertaking the correct checks, but were retaining copies of birth certificates and passports in breach of Data Protection legislation.

The processes in place for assessing the eligibility of funding for 2-year-olds were in line with national guidance and supporting information was readily and easily available.

Although there were several issues identified during the visits to the providers, the council's own overall processes and controls were working effectively. The sample of providers visited did also include those where the service felt there could be issues with the procedures in place. Ultimately, the service do have limited control over the internal procedures of individual providers, however the guidance and support offered by the council to these settings was sufficient.

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.

1 Supporting Documentation for Funding

Issue/Control Weakness

Four providers had gaps in supporting documentation, with one setting unable to provide parental declaration forms for the last two years.

Risk

There is no formal funding agreement in place between the provider and parents or guardians of the children. This increases the risk of fraudulent claims.

Findings

Parental declaration forms are an agreement between the provider and a child's parent or guardian and are a mandatory requirement for each child at each provider. The form contains the necessary information required by the provider in order to claim the correct funding. Four of the ten providers visited had at least one parental declaration form missing for the funding terms reviewed. One of these providers was unable to provide any parental declaration forms for either term and confirmed that they had not been completing these for the last two years.

Agreed Action 1.1

A provider agreement has been issued to all providers delivering funded places. The majority have signed and returned this document, however the service is currently in the process of chasing any outstanding forms. This document outlines the responsibility of the provider for ensuring that supporting documentation is completed correctly.

Priority

2

Responsible Officer

Early Years and
Childcare Sufficiency
Manager

Timescale

July 2019

2 Funding Guidance Session Attendance

Issue/Control Weakness

Three of ten providers visited had not attended a guidance session in recent years.

Risk

Providers are not following the correct procedures meaning that claims are submitted inaccurately and documentation is handled outside of retention guidelines.

Findings

Guidance sessions are led by the council and are an opportunity to update providers on the latest processes and guidelines in place for claiming early education funding. Regular attendance at these sessions is important, as non-attendance could mean that providers are not following the correct procedures.

Three of the ten settings visited confirmed that they had not attended a funding session in recent years.

Agreed Action 2.1

Attendance to the funding sessions cannot be made mandatory; however the service will continue to email the slides of the presentation to all providers. This will help to ensure that all providers are able to access the information presented at the session.

Priority

3

Responsible Officer

Early Years and
Childcare Sufficiency
Manager

Timescale

Implemented

3 Date of Birth Checks

Issue/Control Weakness

Checks on children's dates of birth were not carried out at one provider. Two providers were incorrectly retaining evidence of children's dates of birth.

Risk

Children who are not eligible for funded hours receive the entitlement. Settings are breaching Data Protection legislation by retaining copies of personal identification.

Findings

One setting was not checking and confirming the date of births for children at enrolment stage. Date of birth checks are important to ensure that each child receiving early education funding is of the correct age for the entitlement. Two other settings were carrying out these checks, however both were retaining copies of birth certificates and passports. Retaining copies of birth certificates and passports is against Data Protection regulations, as no forms of identification should be retained once these have been checked and confirmed to be legitimate.

Agreed Action 3.1

A provider agreement has been issued to all providers delivering funded places. The majority have signed and returned this document, however the service currently in the process of chasing any outstanding forms. This document outlines the responsibility of the provider for ensuring that date of birth checks are carried out correctly and Data Protection legislation is adhered to.

Priority

3

Responsible Officer

Early Years and
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Manager

Timescale

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Audit Opinions and Priorities for Actions

Audit Opinions

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.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

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.
Reasonable 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.

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