

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF EARLY YEARS AUDIT FOR 2013-14

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REVIEW OF EARLY YEARS AUDIT FOR 2013-14

INTRODUCTION

1. This report sets out the results of our systems based audit of Early Years Audit for 2013-14. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2013/14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 29th August 2013. The period covered by this report is from June 2012 to September 2013.
4. The budgeted expenditure for 2013/14 for 3 and 4 year old funding is £10,149,690.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
 - Grant payments made to Early Years providers by the Local Authority are accurately processed.
 - Early Years providers have sufficient Public Liability Insurance cover.

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- Budgets are being regularly monitored and not overspent.
 - FEE grants are being paid into the provider's Business account and being utilised for Early Years Provision.
 - Sufficient evidence is provided to confirm children's identity.
8. However we would like to draw to Managements attention the following issues:
- Providers are claiming for placements that are not being fully utilised and parents/providers are not making the Early Years Team aware of any long term absences.
 - It was identified that one provider, was in a deficit of £7697.05.
 - Evidence was not provided from two providers and it was thus not able to test them. Neither were paid for the Summer 2013 term.
 - It was also identified that one Provider is paid into a bank account that is not in the name of the Provider.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were no significant findings identified.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	Testing of a sample of 15 Providers receiving funding found that eight children who had missed more than 2 weeks placement had still been claimed for funding. Sufficient reasons were given for two absences, but for the other five the explanation received did not adequately explain why the child was absent but the place still claimed for. The length of absences range from 11days to 35days and equates to about £912 of overpayments.	Information regarding Children's' attendance at settings may not be monitored satisfactorily resulting in potential overpayments.	<p>Providers should be reminded that they cannot claim funding for children who are absent without reason.</p> <p>Overpayments identified in the audit should be recovered. [Priority 2*]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>During the 2012-13 Audit review a sample of 15 providers was chosen and evidence requested from them that each had a separate bank account. Evidence was provided that 10 of the 15 providers have. For the other 5 no evidence was provided at all. These providers also did not supply evidence of the attendance registers as requested and all but one also did not supply evidence of their liability insurance.</p> <p>As at the end of the 2013-14 audit, information from some providers had still not been received. From one provider, their registers had not been received, though were subsequently provided after the draft report was issued and another two had not supplied copies of their bank statements).</p> <p>During the audit the one provider did not send in any information, though they were not paid for the Summer 2013 term.</p>	<p>Early Years providers may not be properly accounting for funds provided by the Local Authority.</p>	<p>Evidence not provided as requested during the audit should be provided as per the contract document in place with each provider. [Priority 2*]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Providers should be reminded that they cannot claim funding for children who are absent without reason.</p> <p>Overpayments identified in the audit should be recovered.</p>	2*	A detailed reminder was sent out during the audit when it became clear that some providers had submitted claims for children with extended absence. Overpayments will be recovered from the Spring term final payment.	Childcare and Free Entitlement Co-ordinator	Actioned & March 2014
2	<p>Evidence not provided as requested during the audit should be provided as per the contract document in place with each provider.</p>	2*	The supporting documentation will be followed up in January with a time limit of March 2014.	Childcare and Free Entitlement Co-ordinator	March 2014

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.