

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	COMMUNITY SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	Early Years
AUDIT DATE	November 2015

2015/2016



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Education – Early Years within Community Services as part of the 2015/2016 Internal Audit programme. The Children and Young People (Scotland) Act 2014 introduced new early learning and childcare entitlements to replace the funded 12.5 hours/ week during term time of pre-school education for 3 and 4 year olds. Since August 2014, the following children are eligible for 600 hours/year (the equivalent of around 16 hours/ week during term time) early learning and childcare:

- 3 and 4 year olds, starting from around the first term after their third birthday;
- 2 year olds from the point that they are looked after, under a kinship care order, or with a parent appointed guardian;
- 2 year olds, starting from the first term after their second birthday, (where their 2nd birthday falls on or after 1 March 2014) with a parent in receipt of qualifying benefits; or, the first term after their parent starts receiving qualifying benefits.

In addition from August 2015, the following children are also eligible for 600 hours/ year of early learning and childcare:

- 2 year olds, starting from the first term after their second birthday, (where their 2nd birthday falls on or after 1 March 2015) with a parent in receipt of qualifying benefits; or, the first term after their parent starts receiving qualifying benefits.

2. AUDIT SCOPE AND OBJECTIVES

The Audit will review policies and procedures in respect of arrangements for compliance with the Children's and Young People Act specifically the 600 hours element. The scope will cover:

- arrangements for identification of eligible children;
- placement commissioning and contracting arrangements;
- payment control arrangements.

3. RISKS CONSIDERED

- ED07 Failure to ensure that young children and their families are given assistance to help them achieve the best start in life;

- The council does not maintain appropriate policies and procedures resulting in a failure to provide quality services efficiently and effectively;
- Authorities, roles and responsibilities have not been identified and assigned in respect of commissioning services.

Audit Risk

- Failure to comply with legislation;
- Failure to adhere to policies and procedures.

4. AUDIT OPINION

The level of assurance given for this report is substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

5. FINDINGS

The following findings were generated by the audit:

General

- 5.1 Information on the Councils' Early Years' service is available on the Council Website. Guidance includes eligibility entitlement, links to local nurseries and available childcare, a list of nurseries, childcare and early learning providers and also provides a further link to the Scottish Family Information Service where further searches can be undertaken to find a local nursery or local childcare, it also provides advice on how to register. The website also provides links to newsletters produced by Early Years' service covering news and events and other useful publications (Service Plan/Catalogue of Resources and Childminder Information on Tax and National Insurance). It was found that one link directed users to a HMRC information which was out of date.
- 5.2 The Children and Young People (Scotland) Act 2014 Early Learning and Childcare Statutory Guidance (The Guidance) states that authorities have a duty to consult and plan on delivery of early learning and childcare. It was evidenced that consultation has taken place and that parents had the opportunity to complete questionnaires, including group questionnaires. It was further evidenced that providers were asked to complete a questionnaire regarding the flexible model of Early Learning and Childcare provision.

Policies and procedures

- 5.3 It was found that the Early Years' Service have identified a number of priorities within their Draft Education Service Plan including:
- continue to develop provision for 600 hours Early Learning and Child Care for eligible 2 year olds;
 - continue to recruit additional child minders of 2 year old provision;
 - continue to increase flexibility of Early Learning and Child Care provision.
- 5.4 Young children within Early Learning and Childcare are eligible for a free school lunch under the same criteria as school pupils, where they attend an education authority establishment in the middle of the day. This additional criteria applies to all eligible pre-school children (aged 2, 3 and 4). It was evidenced that the Early Years' service, working with colleagues from catering services has developed an implementation plan in respect of this requirement.

Duty to secure provision of early learning and childcare for eligible children - arrangements for identification of eligible children

- 5.5 The Children and Young People (Scotland) Act 2014 Early Learning and Childcare Statutory Guidance states that Education authorities will not be under a duty to identify those children and families eligible for Early Years and Childcare provision. Parents or carers who wish to use the entitlement for their child are required to self-refer for a place for their child. The Guidance requires that local authorities promote the entitlement at a local level. It was evidenced that the Early Years' Service has a range of self-referral and registration systems, including information on the Council website detailing a central point of contact to enable parents and child minders to obtain information. Parents can request a pack from the Early Years' Service providing details of services.
- 5.6 It was evidenced that Health colleagues, Social Work staff and Job Centre Plus have assisted Early Years staff to identify eligible 2 year olds and have supplied the Early Years' Service with details of families who may be entitled to the 600 hours of Early Learning and Childcare. Parents who were identified were sent a pack containing a flowchart, information leaflet, the appropriate form to take to Jobcentre Plus and a list of local services who can provide a service for 2 year old children. It was evidenced that data sharing protocols are in place with Health.

Placement commissioning and contracting arrangements

- 5.7 A commissioning strategy is in place and is dated 2010. It was found that the Commissioning Strategy includes elements of Early Years' services which were last updated by Social Work Children and Families. Legislation has subsequently been updated and is not currently reflected in the strategy. The strategy does not make specific reference to Early Years' requirements. There are a range of documents available which provided guidance on the Early Years' service however, it was not evidenced that there was an overarching document that outlined strategy and procedures in relation to the Early Years' service.
- 5.8 As the 600 hour element is a statutory requirement all applications to provide an Early Years' service are required to be considered so long as the provider meets the necessary criteria. No service can be commissioned until full registration is complete with the Care Inspectorate. It was evidenced that Procurement and Commissioning service carry out a series of checks, supported by departments with specialist knowledge in the area being checked (Health & Safety). There are appropriate authorisation processes in place for acceptance of the provider, including registration with the Care Inspectorate. Once the checks are complete the Procurement and Commissioning service draw up a contract with the provider.
- 5.9 It was evidenced that an up to date register of all providers was kept and was available for inspection. This includes up to date details of last inspections by the Care Inspectorate and Early Years' Service, this is updated on an annual basis. Access is controlled by means of password protection.

Payment Controls

- 5.10 There is currently two payment processes in place. The first is in respect of Commissioned Partner Providers, who provide Early Learning and Child Care to 3 and 4 year olds who are paid on a monthly basis. Payment reports are generated from NAMS (Nursery Management System). The second payment process is where Partner Provider/Childminders submit monthly invoices.
- 5.11 Where payment reports are run from NAMS, there is a control in place whereby each month authorisation codes are generated for each child fully enrolled and receiving funded hours. Each provider receives an email with payment report with details containing their relevant authorisation codes. Partner Providers are required to enter their codes on to the system, confirming the pattern of provision. A counter control is in place whereby Parents of the children also confirm attendance via

signed sheet. Partner Providers are given one week to complete returns. A payment run is then generated and along with a memo which is emailed to Creditors for payment. Information is controlled and providers only receive information relevant to their establishment. However it was noted that data sent is not password protected.

- 5.12 In terms of the NAMS process it was found that there is weakness in respect of segregation of duties whereby payment reports generated from the system are sent to creditors for processing without separate authorisation or checking, one member of staff completes the process from start to finish and signs the memorandum on behalf of the authorised signatory.
- 5.13 It was evidenced that appropriate authorisation controls are in place in respect of the monthly invoicing procedures whereby each invoice is checked to confirm that the hours invoiced for against each child are correct. However, invoices are input onto Pecos retrospectively each time the invoice is received. This is an element of duplication and increases the risk of manual input error.
- 5.14 Budget monitoring arrangements are in place and ongoing engagement meetings are held with Early Years staff and Strategic Finance staff. Budgets are monitored against actual expenditure and from payment information taken from NAMS, any variation is recorded appropriately within Oracle Ledger system.

6. CONCLUSION

This audit has provided a substantial level of assurance. There were a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1 and 2. There is one high and two medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. There are 2 low recommendations which are not reported to the Audit Committee. Appendices 1 and 2 set out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Education staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Payment Controls		High/ Medium or Low		
A weakness was identified relating to the payment control process in respect of segregation of duties whereby payment reports are being generated and signed off by one person.	Failure to ensure segregation of duties may lead to erroneous inappropriate actions.	High	Implement revised procedures to ensure sign off by appropriate authorised signatory.	Education Manager – Learning and Achievement December 2015
2. Procedure Document		High/ Medium or Low		
There are a number of procedure documents and guidance documents available, however these now require to be updated.	Lack of overarching guidance document may lead to inconsistent practice resulting in objectives not being met.	Medium	Education to update and revise procedures and guidance as appropriate.	Principal Officer Early Years June 2016

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
3. Data Security		High/ Medium or Low		
It was found that spreadsheets containing confidential information are not password protected.	Lack of internal controls leads to potential data security breaches.	Medium	Implement revised procedure to ensure that information available to providers is password protected.	Principal Officer Early Years December 2015

APPENDIX 2 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
4. Council Website Information		High/ Medium or Low		
The link to HMRC information was found to refer to an out of date page.	Information provided is not accurate.	Low	Review website detail and update links where appropriate.	Principal Officer Early Years January 2016
5. Payment Controls		High/ Medium or Low		
Duplication whereby invoices are retrospectively put onto Pecos.	Manual input is duplication and leads to increase risk of error.	Low	Review process to eliminate manual input where appropriate.	Principal Officer Early Years March 2016



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