

AUDIT REPORT 19'021

EARLY YEARS PROVISION

EXECUTIVE SUMMARY

The annual audit plan provided for a review to be undertaken of the planning arrangements for the enhancement of the early years provision. This area was selected for review being an area of service transformation with the introduction of Scottish Government's blueprint for expanding early learning and childcare in Scotland. The expansion involves increasing funded childcare hours to 1140 annual hours per child by 2020 from a base of 600 hours and delivering a fully flexible service with longer daily operating hours and year-round provision. In terms of Moray this equates to making provision for approximately 2.5 million hours of childcare through a delivery model which is a vast departure from the traditional nursery settings operated. Moray currently operates 23 Council nursery centres and funds 36 independent partnership providers and therefore the expansion involves supporting the external sector to deliver the required provision as well as expanding and altering the Council's own facilities and resources.

The purpose of the audit was to study the plans for service change to achieve the expansion targets within the required timescale, and to undertake a review of the application of the specific funding received from Scottish Government. Prior to service change, the Council's budget for the early years' service was in the region of £4.5 million but by 2020 the sum required for fully flexible service provision is anticipated to be approximately £14 million. The expansion programme is to be fully funded by central government and Moray will have received additional revenue funding of £17 million up to and including the deadline year of 20/21. Utilisation of this funding in 17/18 and 18/19 to date has been covered in the scope of the audit, along with scrutiny of the expansion to be funded in subsequent years.

Whilst 17/18 has been a year of planning for the expansion in terms of preparing the Delivery Plan, putting a Project Team in place, restructuring the staffing and management structures of the service and engaging with all involved parties to ensure the desired expansion can be possible both in capacity and financially, 18/19 has seen the commencement of the enhanced service delivery. From August 2018, 4 Council nurseries have been transformed to provide the expanded flexible service and 14 partnership providers have been supported to offer the enhanced service. This phased roll-out will allow outcomes to be evaluated and will inform the future shape flexible provision should take to best meet demand whilst being successful in operational terms. Further settings will offer the enhanced service from August 2019 in advance of full service transition in August 2020.

The review has found comprehensive planning arrangements to be in place for this major transformation programme and this area is likely to be revisited as the expansion progresses, given the majority of the service provision will be reconfigured in future periods and the major challenge of workforce availability has yet to be tested. At this juncture, the main issues identified for management attention are

restricted to:-

- The Nursery Application Management System (NAMS) I.T system used in administration of the early years' service lacks the capability to effectively meet the needs of the expanded service database. Presently, the system is not able to produce reliable financial information on which to calculate increasing payments to partnership providers. A separate manual calculation solution is utilised which can be susceptible to human error in terms of input and is more labour intensive than a system process. The redevelopment of the system is seen as key in being able to record the required information for administering all elements of the expanded service.
- Child placement information submitted by partnership providers and used as the basis for making funding payments is currently accepted without verification. Independent checks are required to improve scrutiny and ensure accurate payments are being made;
- Administrative procedures for infrastructure and training grants awarded to partnership providers require to be strengthened as instances have been identified of grants paid in advance and for sums in excess of actual costs, contrary to grant conditions.

Moray Council

Internal Audit Section

Recommendations: Early Years Provision

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Comprehensive planning arrangements are in place to achieve the Scottish Government required enhancement of the Early Years provision in Moray.						
5.1	Grant funding payments should be made in compliance with grant conditions according to invoices and supporting documentation submitted on completion of works / training, or in line with a formally agreed payment schedule.	Medium	Yes	The process for making funding payments will be more clearly documented and shared with the team.	Senior Project Manager	30/11/2018

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.2	Payment of grant should always be based on the actual costs of works or training undertaken, subject to a maximum of grant awarded. If any advance payment has been agreed based on a higher anticipated cost, clawback of the overpayment should be initiated in accordance with the grant conditions.	Medium	Yes	As above in 5.1, the process for making funding payments will be more clearly documented and shared with the team.	Senior Project Manager	30/11/2018

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.3	A system solution should be implemented at an early date with regard to collating information and calculating payment due to partnership providers in order to eliminate manual processes which are time consuming and have greater potential for error.	High	Yes	Scottish Government has agreed to fund the development of a replacement NAMS system that will provide all the functionality needed to deliver the new flexible service. This is a national development.	Senior Project Manager	31/08/2020

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.4	Random sample checks of attendance figures submitted by partnership providers should be undertaken by comparison to registration details completed by parents / guardians , prior to each payment run. Where any anomalies are identified these should be immediately addressed with the partnership provider to ensure accurate payments are made.	High	Yes	A system of monthly random sample checks will be implemented.	Senior Project Manager	30/11/2018