

Swindon Borough Council

Swindon Internal Audit Services

Strictly Private and Confidential

FINAL

Internal Audit Report

Recoupment

Officers Contributing to the Review:

Sheila Allcock	SEN Inclusion Manager
Chris Hodgson	Principal Education Officer
Sue West	Senior Education Officer
Elaine Pendlebury	Senior Accounting Technician

Time Planned: 10 days

Time Taken: 13 days

Auditor: Karl Read

Report Date: 29th January, 2010

<i>Contents</i>	<i>Page</i>
------------------------	--------------------

Section 1

<i>Introduction</i>	<i>3</i>
----------------------------	-----------------

Section 2

<i>Approach</i>	<i>4</i>
------------------------	-----------------

Section 3

<i>Objectives and Conclusions</i>	<i>4</i>
--	-----------------

Section 4

<i>Overall Opinion</i>	<i>8</i>
-------------------------------	-----------------

Section 5

<i>Secure Procedures</i>	<i>10</i>
---------------------------------	------------------

Section 6

<i>Findings and Recommendations: Action Plan</i>	<i>11 – 24</i>
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Appendices

Appendix A – Audit Opinion Detail

Appendix B – Management Response

1 Introduction

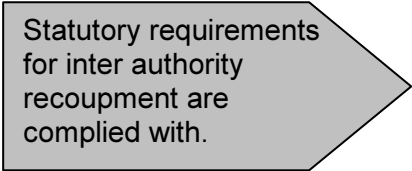
- 1.1 The review was carried out as part of the Internal Audit planned work for the year 2009/10 in order to provide assurance to the Group Director of Children's Services that the Recoupment system is robust and efficient.
- 1.2 Recoupment is the process whereby a Local Authority recovers the costs from another Local Authority for the Special Educational Provision of pupils placed in its schools that reside in another Local Authority. This process can work both ways, in terms of Swindon recouping the cost of non-Swindon pupils, as well as Swindon being responsible for paying the costs incurred by other Local Authorities for our pupils placed in their schools.
- 1.3 The recoupment process of charging other authorities for educational provision is therefore quite distinct from the processes used to determine what special educational needs are required by children and monitoring on the delivery of this support. For this reason, these areas of the service will be covered in a separate audit on the operation of the Special Educational Needs Resourcing and Assessment Panel (SENRAP).
- 1.4 Processes for recoupment are guided by legislation in Statutory Instrument 1994 No 3251 – The Education (Inter-Authority Recoupment) Regulations 1994. This allows Local Authorities to recoup costs in respect of children that have either a statement of special educational needs, are a patient in hospital receiving education, or receives education in a Special School.
- 1.5 The Special Educational Needs Assessment Team (SENAT) operates the recoupment process. They manage the issuing, monitoring and maintaining of the Statements.
- 1.6 Currently, Swindon has approximately 24 children in special schools and 31 in mainstream schools outside our own local authority. These are being maintained through a budget of £496k. There are 23 children placed in our schools from other local authorities for which Swindon has to recoup the costs budgeted at £237k. In 2008/09, there was a net overspend on recouped places of £888k caused by a shortfall in income of £94k and overspends on external placements of £794k.
- 1.7 The budget has been increased by £518k for 2009/10. In a report produced for Children Services Leadership Team on 20/8/09 a pressure of £107k has been identified on the recoupment budget.
- 1.8 There is also concern within SENAT that there are pressures on Swindon Special Schools due to the limited number of places available for children with Special Educational Needs that could result in more Swindon children being placed in other LEA schools.

2 *Approach*

- 2.1 Managers determine the extent of internal control in their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations are complied with.
- 2.2 Internal Audit, as a service to the Directorate and the Council as a whole, contributes to internal control by examining and evaluating its adequacy and effectiveness. The auditor's responsibility is to form an independent opinion, based on the audit work undertaken, on the reliability of the systems of internal control reviewed and report this to the Group Director of Children's Services and to other relevant Managers.
- 2.3 In accordance with best practice, a risk-based approach was adopted which involved the structured evaluation of the internal controls operated within the Recoupment environment.
- 2.4 The appropriate managers and senior staff were consulted during the course of the review and testing of documentation and processing procedures took place within all departments.

3 *Objectives and Conclusions*

- 3.1 The key objectives of the review were agreed in advance with the Director of Schools and Learning. The auditor's conclusions at the end of the review against each of these objectives are detailed below:

<u>Control objectives</u>	<u>Audit conclusion</u>
	<p>Control objective achieved. All key staff involved in the recoupment process were familiar with the principal legislation governing the process of recoupment i.e. Statutory Instrument 1994 No 3251.</p> <p>Testing of charges made on and by the authority demonstrated compliance with the legislation.</p>

Control objectives

Audit conclusion

There are documented procedures and policies in place to ensure consistent practices and standards are applied and maintained.

Control objective not achieved. A Recoupment Policy was prepared following the Internal Audit conducted in 2006. This policy has not been reviewed or updated since to account for changes in legislation. In addition, following staff changes in Finance, procedures used to support the policy have changed and are not reflected in the policy.

The policy is not publicly available in any of the SEN documentation available on the internet.

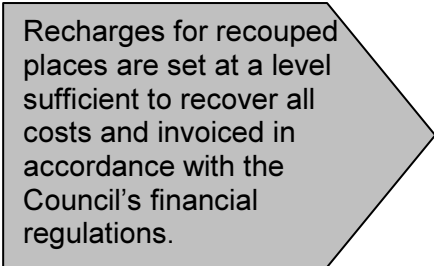
The absence of detailed working procedures for recoupment in both Finance and SENAT caused delays in the operation of the process during 2008/09, as new staff were not familiar with the processes and all previous staff involved had left the employment of the Council.

Whilst the processes are now becoming well established in both Finance and SENAT, the task of drafting new working procedure documents has not been given priority due to other work commitments. This matter was previously recommended by Internal Audit in the 2006 report on recoupment.

Contracts are in place with other Local Authorities that are appropriately monitored. Roles and responsibilities are clearly defined and charges approved and agreed.

Control objective not achieved. Formal contracts are not agreed between Swindon and other LEAs in respect of recouped places. Correspondence confirms that the placements take place, but roles, responsibilities and the committed cost associated with each placement are not agreed and authorised.

When children move into the borough but continue to be educated in another LEA, there is no procedure to ensure that the cost of the placement is identified and included in the projected expenditure forecasts.

<u>Control objectives</u>	<u>Audit conclusion</u>
 <p>Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.</p>	<p>Control objective substantially achieved. The basis of determining the recharge rate for recouped places is applied consistently and recovers the majority of costs as it is based on the budget share for each school.</p> <p>However, in addition to the main budget share, administration costs are recovered at a rate of 10%. This percentage has not been recently reviewed and there is no evidence to demonstrate that it covers the full administrative costs incurred by the Council.</p> <p>The basis for charging other LEA's for the cost of Teaching Assistants is not reviewed annually and there is no evidence to confirm that the recharges meet the cost of providing the service within mainstream schools.</p> <p>For special schools, recharges are based on a snapshot of the Teaching Assistants taken in 2003. These have not been reviewed recently to take into account any changes that may affect the recharge rates.</p> <p>The process for the calculation is not documented to ensure its consistent application.</p> <p>Invoicing is undertaken in arrears and was performed in two parts for 2008/09, contrary to recommendations made and agreed by Finance in the 2006 Internal Audit report. The report recommended invoices to be raised on a termly basis.</p>

Control objectives**Audit conclusion**

Financial planning and budgetary control is effective.

Control objective not achieved. Following a significant overspend in 2008/09 of £888k, improvements were made to the monitoring system used by Finance and SENAT.

However, as at 31st July 2009, no budget projections had been made for 2009/10 for which a net budget has been set at £259k.

There is no information available to demonstrate that the budget for 2009/10 was based on a detailed analysis of existing recoupment places along with predictions of changes, based on trends identified in previous years. Consequently, we have been unable to confirm that the budget set is realistic, that future budget pressures have been fully identified and reported promptly, to allow senior management to take remedial action or to assist in long-term decision-making.

This has been highlighted in a recent report produced in conjunction with Finance and SENAT for Children's Services Leadership Team (CSLT) on 18/8/09, that identified a budget pressure of £107k for recoupment and notes that further urgent work is required to identify up to date projected costs to establish more accurate projections.

There are no formal procedures or documents in place to identify every placement change and summarise the financial impact of decisions made by SENRAP.

The spreadsheet used within SENAT to record placements and costs/income is not kept up to date and is not used to enable long-term planning for placement availability or cost. We have identified that the value and duration of placements can be calculated based on the age of the child and previous recharges.

Benchmarking against other Local Authorities and providers is undertaken for costs and service provision to determine best practice and drive service improvements.

Control objective not achieved. Discussions with the Principal and Senior Education Officers in SENAT identified that no exercises in benchmarking with other LEAs had been undertaken on the recoupment process. Whilst the service is very much demand led, Swindon recharges can still be compared to those of other LEAs to gauge how costing approaches differ.

There is no evidence of any regional comparative work to compare the recharges between the authorities Swindon is most likely to work with in delivering SEN. It is understood that the Finance section are working collaboratively with the South West Fair Funding Group to develop a common approach to costing and this group could be used provide other more meaningful comparisons.

4 Overall Opinion

- 4.1 **Materiality and impact: Medium.** Due to the substantial numbers of placements currently taken up by Swindon children in the Special Schools, the impact of failing controls in this area is limited. In 2008/09, recharges to other Authorities for children placed in Swindon Schools was just under £300k. However, the outcomes for those using the services are critical, making the overall impact medium.
- 4.2 **Change since last audit:** The audit looked at the recommendations made during the last audit, conducted in 2006, and has measured what progress has been made in implementing those recommendations. Where sufficient progress has not been made the recommendation has been raised again in this audit report.
- 4.3 Below is a summary of the number of recommendations made in the previous audit report identifying whether they have been implemented or not. Recommendations agreed in 2006 but not implemented and those in progress have been included in this report's Action Plan.

	Total	Implemented	Not Implemented	In Progress
Recommendations – 2006	8	4	3	1

- 4.4 The three recommendations not yet implemented relate to the preparation of working procedure documents, a lack of any formal contract for the placement of children in another LEA school and a lack of evidence to support the charge of a 10% administration fee.
- 4.5 **Opinion on system controls: Fundamental Weaknesses Identified.** i.e. the auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.
- 4.6 This opinion has been determined due to a lack of detailed financial planning and monitoring for recoupment. The 2008/09 overspend of £888k has not led to the introduction of more accurate budget setting and robust monitoring procedures, or detailed and informed projections made, to assist with planning or the early identification of budget pressures. This, and the absence of any detailed budget projections for 2009/10, has resulted in us being unable to confirm that this year's budget is being appropriately managed.
- 4.7 We are concerned that even without a detailed breakdown of costs and income estimates, based on current placements, the team are projecting a budget pressure of £107k, 60% of which could be attributed to incomplete placement records and incorrect budget setting.

- 4.8 In addition, there appears to be no provision of data to Senior Management to inform them of the costs of the decisions made at SENRAP, and other associated data, to provide a tool to assist with wider school organisational planning.
- 4.9 Also, we have been unable to confirm that the charges made to other Local Authorities cover the full cost of the service. The charges have not been reviewed for a number of years and have not been benchmarked.
- 4.10 **Overall assessment of risk:** The combination of the **medium** impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Minimal	Minimal	Minimal
2	Satisfactory	Moderate	Minimal	Minimal
3	Significant Improvements required	Of Concern	Moderate	Minimal
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

- 4.11 The following key recommendations should be implemented in order to achieve the improvements required:
- The budget position for 2009/10 should be clarified by SENAT, with assistance from the Children's Finance Team, and reported as a matter of priority.
 - Data and documentation used to prepare the budget should be maintained and developed to provide estimates of the future committed costs and income for recoupment.
 - A detailed and accurate forecast of the 2009/10 recoupment budget outturn should be produced. Actions should be agreed by the senior management team to mitigate the impact of overspend on children services budgets. Actions taken and the position of the budget should be subject to regular and formal review.
 - Accurate budget and activity forecasts should be made monthly, in accordance with Financial Regulations and the Budget Managers' Financial Standards.
 - An exercise should be undertaken to ensure that the basis of charging other LEA's for recoupment costs is sufficient to meet the costs of the service.

- All processes carried out in delivery of the recoupment service should be fully documented in a procedural guide to ensure continuity and consistency in delivery of the service.
 - Formal documentation should be sent to other LEA's each year to confirm their responsibility to monitor and maintain statements as well as meeting the costs of placements.
- 4.12 All of the matters arising are detailed in the action plan, together with suitable recommendations, together with an indication as to whether the matters arising are of a high, medium or low priority. The action plan provides a checklist of the findings of the review, potential consequences, and identifies officers responsible for implementing the recommendations and appropriate time-scales.

5 Secure Procedures

- 5.1 It was noted that the following secure procedures are now an integral part of the Recoupment system:
- Swindon adhere to the legislation in terms of paying only those costs invoiced within 12 months of year end, limiting the level of creditor provisions required at year end.
 - The timescale for recouping costs from other Local Authorities has been reduced by the Council from over 12 months to approximately 3 months in arrears.
 - Schedules are issued to other LEA's prior to invoices being raised to avoid the need for later amendments / disputes.
 - All staff directly involved in the recoupment process holds copies of the legislation and were familiar with its requirements.
 - All placements examined were agreed through the SENRAP process.

Section 6: Findings and Recommendations - Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Recoupment, together with the associated risk of non-compliance, recommendations to mitigate risks, responsible officer and proposed timescales. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures and policies in place to ensure consistent practices and standards are applied and maintained.				
1.1	<p>Since the Recoupment Policy was published in 2006, there have been a number of changes to procedure during the intervening time that are not reflected and some areas of provision that have not been covered:</p> <ul style="list-style-type: none"> i. Invoices for recoupment are now being raised three times a year on a termly basis rather than twice a year. ii. The Policy states that Swindon will bill up to 2 years retrospectively, but the legislation stipulates that this can only be 12 months or 1 year after the year in which provision took place. iii. There is a central add-on cost for administration of 10% that has not been reviewed to determine whether it meets the true cost of administration. 	<p>Non-compliance with our own policy.</p> <p>The basis for some costs in the policy cannot be justified / supported.</p> <p>Full costs not recovered.</p>	<p>The Recoupment Policy should be reviewed and amended to reflect current practices and legislation in accordance with its planned review for 2009/10. It should then be formally approved.</p> <p>The current provision to allow an add-on cost for administration should be left open until it can be determined whether 10% is sufficient to recover these costs.</p>	High	<p>SEN Inclusion Manager</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures and policies in place to ensure consistent practices and standards are applied and maintained.				
1.2	<p>In terms of detailed working procedures for the recoupment process, discussions with the SEN Senior Education Officer and the Senior Accounting Technician determined that, when their team took over the recoupment processes, no procedure documents were provided.</p> <p>This has resulted in the current process being re-established and has resulted in changes to some aspects of the recoupment process. Whilst the importance of having procedures was understood by all involved, documenting the process has not been made a priority due to other work commitments.</p> <p><i>This was a recommendation in the 2006 Internal Audit Report AP 1.1.</i></p>	<p>Risk of service discontinuity in the absence of key members of staff.</p> <p>Legislation, policies and procedures not applied consistently.</p>	<p>Documented procedure notes should be written to cover all working practices associated with the recoupment process. These procedures should be retained where key staff can access them when required and be subject to annual review to ensure they are kept up-to-date. The procedures should include the following aspects of recoupment:</p> <ol style="list-style-type: none"> The basis of determining the cost of placement including the administration. The process of recouping the charges from other LEAs. Recording placements and the committed spend on the monitoring system. 	High	<p>Senior Education Officer / Senior Accounting Technician.</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.				
2.1	<p>Placements made for 5 Swindon children placed in schools within other local authorities were examined. No formal contracts or agreements were identified in terms of recoupment.</p> <p>This was also the case for 5 placements tested where other LEA's had placed their children in Swindon schools. Although there was documentation between the two parties to acknowledge the placements, there was no formal sign up to any responsibilities and costs were not always clarified when the placement was made.</p> <p>It was identified during the audit that approximately 80% of the recoupment placements made were between Swindon and its neighbouring authority of Wiltshire. There are no arrangements in place with Wiltshire to reduce the invoicing process.</p> <p>This is highlighted nationally in a 2005 report by Capita Strategic Education Services that was commissioned by the DfES. The report found that this is one area where a more collaborative approach to provision could lead to possible administrative savings between local authorities.</p>	<p>Responsibilities are not clearly understood between LEA's</p> <p>Costs are not agreed when the placement is made and variation.</p> <p>Budgets become overspent.</p> <p>Unnecessary admin costs are incurred.</p>	<p>When a placement is made between Swindon and another LEA, a formal agreement should be signed by each party to ensure that the responsibilities for each party is clear and the cost of the placement is agreed.</p> <p>Collaborative agreements should be considered with neighbouring local authorities to reduce the administrative burden. For example, an exercise could be completed at the end of the year to outline the total costs incurred by each authority and the amounts netted off with the balance paid by the relevant authority.</p>	High	<p>Principal Education Officer</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.				
2.2	There were no block contracts between Swindon and its neighbouring local authorities for the provision of places in special and mainstream schools despite there being a high demand for specific schools from both sides.	<p>A lack of regional planning results in children being schooled further from their home.</p> <p>Unnecessary admin costs are incurred.</p>	The SENAT team should look at more collaborative arrangements with its neighbouring authorities with a view to aid placement planning at a regional level and reduce the administrative burden of recoupment, e.g. perhaps look at block purchases of places at certain schools that can be invoiced in advance.	Medium	<p>Principal Education Officer</p> <p>March 2010</p>
2.3	<p>Due to the number of factors other than funding that may effect where a child is placed, the driving force in making a placement is improving the outcome for the child. These factors will include:</p> <ul style="list-style-type: none"> i. How close the school is to the home of the child ii. Parental preferences on the school to be used iii. The schools ability to meet the child's needs <p>However, the Senior Education Officer would anticipate challenging any costs that were deemed to be unusually high, although there are no clear criteria to determine at what level such questions should be asked. In the absence of any formal bench marking, any queries on other LEA's costs are based on judgement and comparison with prices already charged.</p>	<p>Best value cannot be demonstrated.</p> <p>Charges are not challenged to drive down the cost of placements with other LEA's.</p> <p>Overpayments are made / budgets become overspent</p>	<p>The costs charged by other LEA's should be compared periodically to ensure that Swindon's costs remain comparable to those of similar authorities and that the charges incurred by Swindon are not excessive.</p> <p>As advised by the Deputy Group Finance Manager (Schools), work should be progressed with the South West Fair Funding Group to agree a common basis for calculating recoupment costs to ensure comparability with our neighbouring Local Education Authorities.</p>	High	<p>Senior Education Officer</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.				
2.4	<p>Under the Government's Belonging Legislation, the home authority of a child retains responsibility for funding and maintaining the statement when they are educated in another LA.</p> <p>In testing, it was found that when a child moved into the local authority area but continued to be educated in the previous LEA, there was no process to identify how much the recoupment costs would be for that place to incorporate these into the expenditure projections for the section.</p>	<p>Commitments are not taken into account to ensure accurate projections.</p> <p>Budget pressures / overspends.</p>	When a child moves from another LEA to Swindon but continues to be educated in the other LEA's school, a procedure should be put in place to ensure that the SENAT team members identify the costs of these placements and forward these to the Senior SEN Officer for incorporation in to their expenditure projections.	Medium	<p>Senior Education Officer</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.1	<p>For Special Resourced Provision in Mainstream Schools, SENAT add on a 10% charge designed to cover the administration costs of operating the recoupment process.</p> <p>However, discussions with the Senior Accounting Technician established that there is no evidence to support how this percentage had been calculated, or any evidence that it had been reviewed in the last few years.</p> <p>No work has been undertaken to establish the total administrative cost of operating the recoupment process and whether this add-on of 10% is sufficient to cover this. However, the Deputy Group Finance Manager (Schools) is working with other LEAs in the region as part of a Fairer Funding Group to agree a common approach to charging and ensure consistency between each Authority.</p>	<p>Charges are set that do not recover the cost of service provision.</p> <p>Process for setting charges not applied consistently.</p> <p>Budget becomes overspent.</p>	<p>The finance team should undertake a costing exercise to determine whether or not the add-on of 10% for administration is sufficient to cover the total administrative costs. The outcome of this exercise should be incorporated into the costings for 2010/11 to ensure that charges are both realistic and also comparative with similar local authorities.</p> <p>The basis of any calculations on the administrative costs should be clearly documented to ensure their application on a consistent basis.</p> <p>Work on agreeing a regional approach to charging should be progressed to ensure costing is comprehensive and comparable on a regional basis.</p>	Medium	<p>Senior Accounting Technician</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.2	<p>When placement agreements are entered into, many local authorities have not calculated their recharge rates for that current financial year as billing for recouped placements predominantly happens in arrears.</p> <p>For this reason, the final cost charged for a place, may, often be different from that used in any budget monitoring.</p> <p>Due to a lack of detailed budget monitoring information on recouped places in 2008/09, variances could not be analysed on a placement-by-placement basis. However, these variances should be available for 2009/10 and will enable SENAT to identify authorities making significant increases in their recoupment charges.</p>	<p>Possible overspends not reported in the correct financial year.</p> <p>Costing information that may guide the placement process is inaccurate.</p>	Budget monitoring should be expanded to allow for the monitoring of variations on a placement-by-placement basis to identify any significant variations between the indicated and actual recoupment charges and allow SENAT to challenge these.	Medium	<p>Principal Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.3	It was found that invoices for education provided in hospitals outside the Borough were authorised by SENAT, without any independent check that the services had been received. In 2008/09 payments totalling approximately £20k were made for hospital recoupment.	<p>Payments are incurred without services being received.</p> <p>Budgets become overspent.</p>	The process for authorising hospital recoupment invoices for payment should be revised to ensure that invoices are only processed once confirmation has been received that the educational support was provided.	Medium	<p>Principal Education Officer</p> <p>February 2010</p>
3.4	<p>Although Financial Regulations state it is preferable to obtain income in advance, or at the point of supplying goods or services, the legislation governing the recoupment process does allow for authorities to bill up to 12 months in arrears i.e. <i>"Claims for recoupment shall be submitted to the appropriate authority within 12 months from the end of the financial year in which the provision for education to which the claim relates was made"</i>. This is a practice that many authorities therefore adopt.</p> <p>Swindon is however operating to a relatively tight timescale currently and invoiced 75% of the 2008/09 costs by the end of that year. The Senior Education Officer confirmed during the audit that they intend to raise invoices 3 times during 2009/10 to ensure any arrears, or debts, are kept to a minimum, in line with the 2006 Internal Audit Report recommendations AP3.1.</p>	<p>Late invoicing could lead to delays in resolving any disputes and late payment.</p> <p>Unnecessary debtor provisions have to be made.</p> <p>Recharges errors do not impact on the budget until the following year.</p>	SENAT should continue to invoice regularly through the year to ensure that as much income is received in the correct financial year as possible. Invoicing 3 times a year should be implemented.	Medium	<p>Senior Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.5	The calculations used to determine the recharges for the cost of teaching assistants in mainstream schools, as well as the bandings in specials schools, have not been reviewed for a number of years. Recharges may therefore not reflect the current spending position of the schools concerned and may not be sufficient to recover the full costs of providing the service.	Charges do not reflect the cost of provision leading to budget pressures.	A review of all the calculations used in preparing the recoupment costs should be conducted to ensure that all costs are reflected and the true cost of providing the service is covered in any recoupment recharges. The basis for preparing these calculations should be clearly documented to ensure that it can be applied consistently between years.	Medium	Senior Accounting Technician. March 2010

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.1	<p>There is no information available within SENAT to demonstrate that the budget set for 2009/10 was based on a detailed analysis of the cost of existing recoupment places, and predictions of the cost of changes based on trends identified in previous years. Consequently, we have been unable to confirm that the budget set for 2009/10 is realistic.</p> <p>The income budget set for 2009/10 is £237k compared to £257k actual income for 2008/09 and the expenditure budget for 2009/10 is £496k compared to an actual budget of £549k in 2008/09.</p> <p>There was nothing made available during the course of the audit to support the levels set and the reasons for the variances.</p> <p>In a recent report produced in conjunction with Finance and SENAT on 19/8/09 for CSLT, it was noted that a budget pressure of £107k for recoupment had been identified. This report states that further urgent work is required to identify up to date projected costs to establish more accurate projections. Approximately 60% of the pressure can be attributed to inaccurate placement records and budget setting.</p> <p>Forecasting should be possible some years ahead using pupil ages, estimates of future price increases and assuming they do not move school. There are currently 78 recoupment placements, so this level of detail should not be time consuming to pull together.</p>	<p>Breach of Financial Regulations (Appendix B, 4.4.3) Budgets become overspent.</p> <p>Remedial action cannot be taken to manage budgets.</p> <p>Strategic decisions are made based on incorrect or incomplete information.</p>	<p>The budget position for 2009/10 should be clarified by SENAT, with assistance from the Children's Finance Team, and reported as a matter of priority.</p> <p>Data and documentation used to prepare the budget should be maintained and developed to provide estimates of the future committed costs and income for recoupment.</p> <p>This information should be reported to senior management to assist in the strategic planning process for school place planning.</p>	High	<p>Principal Education Officer</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.2	<p>As at the end of July 2009, work had not been finalised to determine the forecast level of spend for the current year. Should the level of spend be similar to that of 2008/09. Any delay in forecasting net spend could limit the chance for any corrective measures to be taken by senior management, as the current budget could not support expenditure at the same level as that of 2008/09.</p> <p>As stated in 4.1 above, initial calculations have identified a budget pressure of £107k, which is due to the following:</p> <ul style="list-style-type: none"> • £42k for a child placed at Springfields • £7k due to a revision in the number of days charged for children placed in Special Schools outside the Borough for 2008/09 • An unexpected invoice of £8k from a Haringey school for a placement of a child that had not been recorded • £49k to bring the budgeted costs for 2009/10 up to the level of 2008/09 actual expenditure. <p>Due to the absence of detailed working documents and forecasting information, we are unable to confirm that all anticipated income and costs have been identified and accounted for. Consequently we are not confident that the £107k budget pressure currently reported is a comprehensive identification of all potential overspends.</p> <p>The Budget Managers' Guide – Financial Standards, produced by Corporate Finance, states that it is a fundamental responsibility of the budget manager to produce a monthly financial forecast. However, the required level of forecasting and budget management is not being conducted.</p>	<p>Breach of Financial Regulations (Appendix B 3.4.4)</p> <p>Overspends not identified.</p> <p>Placements decisions made without taking into account budget pressures.</p> <p>Non compliance with Budget Managers' Financial Standards (10.32 & 10.34)</p>	<p>A detailed and accurate forecast of the 2009/10 recoupment budget outturn should be produced. Actions should be agreed by the senior management team to mitigate the impact of overspend on children services budgets. Actions taken and the position of the budget should be subject to regular and formal review.</p> <p>Accurate budget and activity forecasts should be made monthly, in accordance with Financial Regulations and the Budget Managers' Financial Standards.</p> <p>Closer and more regular monitoring of income and expenditure should be conducted. This will allow sufficient time to implement any plans to reduce the level of spend or identify additional resources should any action be required.</p>	High	<p>Principal Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.3	<p>It was identified by the Auditor during testing that the budget monitoring spreadsheet used by SENAT was maintained on an ad-hoc basis, depending on the work commitments of the Senior Education Officer. Because these updates were not done frequently, the financial projections may be out-of-date at various times through the year i.e. at the time of the audit, there had been no projections prepared for the first 3 months of the year. However, if expenditure for 2009/10 was in line with that of 2008/9, there would be little scope for increased placement numbers during the rest of the year.</p> <p>The monitoring spreadsheet was only used to project placements and expenditure for the financial year, and was not used for long term planning purposes to predict placement and budget pressures / opportunities.</p> <p>There was no formal sign off of the projections by the budget holder to confirm they were checked and accurate.</p>	<p>Budget projections become out of date.</p> <p>Overspends / under-recovery of income.</p>	<p>Placement changes authorised through the SENRAP process should be actioned on the monitoring spreadsheet as soon as the outcomes of the meeting are published i.e. to ensure an up-to-date projection of income and expenditure can be made. Any expected overspend should be reported to senior management to ensure corrective action can be taken before year-end.</p> <p>The monitoring spreadsheet should be used to estimate long-term placement availability and budget pressures allowing sufficient time for management to determine the most effective way to utilise resources available.</p> <p>The budget holder should sign off any projected figures as correct.</p>	High	<p>Senior Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.4	Placements for all school places, including those at special schools, are recorded on the EMS system. The system cannot take into account future planned placement changes and can therefore only show a snapshot of the position as it happens each day. For this reason a manual record is maintained on a whiteboard in the SENAT office, although this too is updated on an ad-hoc basis. The Senior SEN Education Officer is trying to resolve the issues with the EMS system with the in-house IT team.	<p>Placement availability may not be accurate on a day-by-day basis.</p> <p>Surplus places may not be identified, limiting ability to raise income.</p>	Work should continue with the developers of EMS to develop a method of recording future committed places and placement availability for Special Schools and Special Resourced Provision (SRP) in mainstream schools.	Medium	<p>Senior Education Officer</p> <p>March 2010</p>
4.5	<p>There is no formal procedure or documentation used to ensure that the decisions from SENRAP are clearly passed to the SEN Senior Education Officer or Finance.</p> <p>Although SENRAP checklists and outcomes sheets are produced, these do not include any details about the financial impact of the decisions made or indicate when they have been reflected in the budget monitoring. E.g in the case of RB, a place at Uplands School was identified that would cost approximately £18k p.a. but following representations from the parents and their MP, SENRAP agreed a continuation at a placement costing £31k p.a. but there was no evidence that these costs were discussed by SENRAP or considered as part of the overall budget position before making this decision.</p>	<p>SENRAP decisions may be missed on budget projections.</p> <p>Overspend / under-recovery of income.</p>	<p>The SENRAP checklist and outcomes sheets should be used as the source document to update the budget monitoring for new / changes to placements.</p> <p>SENRAP checklists and outcomes sheets should be amended to include the financial implications of any decisions made and signed and dated by the person updating the budget projections once they have been actioned on the finance system to ensure there is no duplication or omission of data.</p>	High	<p>Principal Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.6	The budget information contained on the Oracle financial system is minimal, with both income and expenditure analysed on only 3 subjective codes. Detailed monitoring cannot be undertaken without the use of the monitoring spreadsheet that must be periodically reconciled to Oracle.	<p>The nature of any under over spends cannot be clearly seen from the finance system.</p> <p>Unnecessary work in maintaining two systems when some work could be combined.</p>	The budget monitoring system should be expanded to include more detail of the individual placements to allow easy analysis of any variations and identification of where debtor and creditor provisions are required at year-end. It is suggested that further analysis codes could be used to identify each child, with the budget apportioned to each one as placements are allocated. Subjective codes could also be used to distinguish between special and mainstream schools.	Medium	<p>Principal Education Officer</p> <p>March 2010</p>
4.7	The spreadsheet used to record details for the recouped places is maintained on the shared drives and may be accessed and amended by any member of staff in Finance / SENAT.	<p>Information may be amended by unauthorised personnel.</p> <p>Data security breach.</p>	The spreadsheet used to monitor recouped placement income and expenditure should be password protected to restrict any unauthorised or unnecessary amendments being made. Other members of the team could be allowed access to browse the file where necessary.	Medium	<p>Principal Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
5	Benchmarking against other Local Authorities and providers is undertaken to determine best practice and drive service improvements.				
5.1	<p>Discussions with the Principal and Senior Education Officers in SENAT identified that no exercises in benchmarking with other LEAs had been undertaken to identify how Swindon compares with similar authorities.</p> <p>There is no evidence of any regional comparative work to compare the recharges between the authorities Swindon is most likely to work with in delivering SEN. However, the Finance section are working collaboratively with the South West Fair Funding Group to develop a common approach to costing that may provide more meaningful comparisons.</p>	<p>The costs associated with Swindon places in special schools are not comparative with those of other LEA's leading to queries / disputes over final invoice values.</p> <p>Best practice cannot be identified or adopted to improve the service.</p>	<p>The costs of placements in Swindon Schools should be benchmarked to those of LEAs in the surrounding area and within SBC's family group to ensure that they are comparable. The reasons for any significant variations should be investigated to identify any strengths or weaknesses in Swindon procedures and corrective action taken where necessary.</p>	Medium	<p>Principal Education Officer</p> <p>March 2010</p>
5.2	<p>The LEA Finance Team are working with other local authorities in the south west as part of a fairer funding initiative to agree a common approach to costing and charging for recouped places in the coming months. It has been identified through this audit and by Capita Strategic Education Services in their review of recoupment in 2005, that authorities do not generally publish details of the costing calculations, but this group would provide such an opportunity and could therefore agree and promote examples of best practice.</p>	<p>Variations in the basis of cost calculation between LEAs results in placement pressures.</p> <p>Service not improved / best practice not adopted.</p>	<p>Following the work of the Fairer Funding Group, the basis of costing and the charges used by Swindon should be benchmarked against other LA's in the south west and any examples of best practice incorporated into Swindon's recoupment procedures.</p>	Medium	<p>Principal Education Officer / Deputy Group Finance Manager – Schools</p> <p>March 2010</p>

Standard Audit Opinions

1. The audit opinion is based on two different criteria the first is the materiality of the system and it's impact on the Council if there was a system failure. This has been spilt into High, Medium or Low.
2. The second criteria, is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and, fundamental weakness. Each of these categories has a standard opinion (see below).

Standard Audit Opinions on System Control
<p>Audit Opinion 1. <i>High Standard</i></p> <p>The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.</p>
<p>Audit Opinion 2. <i>Satisfactory Standard</i></p> <p>The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.</p>
<p>Audit Opinion 3. <i>Significant Improvements Required</i></p> <p>The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.</p>
<p>Audit Opinion 4. <i>Fundamental Weaknesses Identified</i></p> <p>The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.</p>

3. The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see section 4 of the main report).