ANNEX D (ii)

Finance auditing processes
Supplementary information and guidance

Leicester City Council

The Council has an audit process to check that all providers in receipt of FEEE funding including Early Years Pupil Premium (EYPP), SEN Inclusion Funding (SENIF) and Disability Access Funding (DAF) are administering the funding in line with the terms and conditions and related legal requirements. Audits will be carried out each term based on a random selection of providers or may be initiated due to a complaint or compliance concerns regarding the administration of FEEE places.

This document is a part of the Early Years Provider Agreement and should be considered in conjunction with Section 3 of the agreement and Annex D (i) for the compliance process.

The stages of the audit process

Stage 1 - Notification and collection of documents

- Provider is notified of an impending audit via email.
- The email will consist of a date and time for the collection of documents as well as a FEEE audit form for completion.
- Documentation collected from provider.

Note: this stage is not applicable for unannounced audit visits

Stage 2 - Audit carried out remotely via a desktop procedure

This may also be at site by prior arrangement or for unannounced audits.

- Daily registers checked
- Parental Declaration forms checked against the headcount claim for the term for which the audit is being carried out
- Admissions criteria or policy document, fees and charges pricing structure checked
- Invoices and invoicing system checked
- Expenditure of SENIF and DAF checked
- Additionally, a sample of parents will be contacted

Stage 3 - Audit analysis checks and clarification of information

- The provider will be contacted for clarification on queries or further information may be requested.
- Potential issues and concerns identified are recorded.
- Consultation with relevant Council officers on any finance related discrepancies that are identified.

Stage 4 - Audit summary report

- A summary report is completed, detailing information audited as well as outcomes, recommendations and feedback for the provider.

- A copy of the summary report and the completed FEEE audit document are sent back to providers, via email, notifying them of any further action needed by the provider or by the Local Authority (LA).
- Further action: LA will deem the provider as compliant or non compliant.
- If non complaint the provider will enter the Compliance Process as outlined in Annex D (i)

Additional notes to support providers – Audit process

During the audit process

- All hard copy documents received for the audit will be sent for internal confidential shredding, unless the provider has stated otherwise.
- All information provided by providers will be scanned or photographed and stored by the Council as part of the audit trail.

Children claiming Funded Early Education Entitlement (FEEE)

When completing the headcount information for FEEE claims:

- Ensure the start date submitted on your headcount matches with the start date on each child's parental declaration form.
- Confirm weeks and sessions attended by the child are correct.

  Note: up to Summer Term 2026*, for children accessing 570 hours entitlement under the 51-week stretched offer model, the hours are 11.18 per week for 17 weeks and for children accessing 570 hours entitlement under the 48-week stretched offer model, the hours are 11.88 per week for 16 weeks.

  (*as stated in Annex E, some changes will be implemented from the Autumn Term 2026).

- Add **all** children to the headcount before submitting and populate the hours as per the parent declaration form

Enrolling new children

When taking on new children please ensure you have:

- Checked children's eligibility codes prior to them starting i.e., their Early Learning for 2-year olds (FRAS) 'YES' letter or confirmation of eligibility with a TYF code or their working parent codes for funding for 9–23-month-olds, 2-year-olds or for 3 and 4 year olds.
- Fully completed the parental declaration form (including eligibility codes, full start date dd/mm/yyyy, contracted sessions, weeks attending, EYPP, DAF sections etc) and ensure that the form is signed by both the parent and the provider.
- Provided parents with a copy of the completed parental declaration form.
- Also, if the child is moving from another provider, please check that the child's claim dates for funding do not overlap (this will avoid double funding queries).

SEN Inclusion Funding (SENIF)

Records relating to children in receipt of SENIF will be audited for the whole term.

When claiming for 1:1 support hours

For SENIF that has been spent on 1:1 support hours, providers must keep a record of the child's attendance as outlined in the Provider Agreement. In addition, the provider must keep records of the adult(s) working with that child such as timesheets / signing in sheets / overtime claim forms etc.

Non-staffing related costs

For SENIF that has been spent on non-staffing costs, providers must keep a record of the expenditure including a copy of the receipt or invoice paid.

Disability Access Fund (DAF)

Details of how DAF is utilised will have to be stated on the audit form, providers must keep a record of staffing costs, as detailed for SENIF above, and of non-staffing related costs, including copies of receipt or invoice paid.

SENCO

All Settings must have a named SENCO Officer.

Supplementary information and guidance

Bank accounts

The bank account for FEEE payments must be in the name of or under the Registered Person (Legal Entity) for Ofsted purposes.

Examples:

If the setting name is Caterpillar Pre-School and this is registered by Caterpillar Childcare Limited (as an organisation) then the bank account for FEEE payments must be in the name:

- Caterpillar Childcare Limited – or
- Caterpillar Childcare Limited t/a Caterpillar Pre-School - or
- it may be in the name Caterpillar Pre-School but held under the legal entity Caterpillar Childcare Limited
- Caterpillar Childcare Limited is the Registered Person (RP) for Caterpillar Pre-School

If the setting name is Butterfly Pre-School and this is registered by A N Other (as an Individual) then the bank account for FEEE payments must be in the name:

- A N Other – or
- A N Other t/a Butterfly Pre-School – or
- Butterfly Pre-School - but held under the individual A N Other as a sole trader
- A N Other is the Registered Person (RP) for Butterfly Pre-School

If subsequently, A N Other wants the business to be incorporated under Butterfly Childcare Limited then the setting must be **re-registered** with Ofsted under Butterfly Childcare Limited and the bank account for FEEE will then have to be in the name of or under Butterfly Childcare Limited.

Butterfly Childcare Limited will be the Registered Person (RP) for Butterfly Pre-School

Mergers and acquisitions

In most cases involving transfer or sale of a childcare business, the new owner will have to re-register the setting with Ofsted.

In some instances, the proposed new registration may not be active at the time of completion of the business acquisition/transfer transaction. To avoid having a break in service in the interest of continuity of care for children, Ofsted will allow for the setting to remain registered under the previous owner's registration until the new registration is active. In this instance, until the new owner's registration is active, the previous owner will remain legally responsible for the childcare at the setting and for all Ofsted purposes and for the funded early education entitlement (FEEE) being delivered at the setting.

Also, the Council is not able to share, with the new provider, any FEEE and financial data relating to the previous provider. This will be up to the point that the new provider's registration is active, and they are signed up to the FEEE provider agreement. We would expect any such information to be shared, transparently, as part of the legal process of the business acquisition/transfer.

Who should be signing the Provider Agreement?

The signatory must be in a position within the organisation to sign the documents, in other words, the person signing the document must have legal and financial responsibility on behalf of the organisation.

The Council expects this to be the business owner, company director or a charity trustee. For certain organisations it may be the nominated person for Ofsted purposes or a senior officer but the Council may request evidence or proof that the signatory has the required authorisation for this purpose.