

17 Irregularities in School Meals Scheme Payments

- 17.1 The Department of Social Protection (the Department) provides funding towards the provision of meals for disadvantaged school children through two schemes
- the statutory urban school meals scheme, and
 - the non-statutory school meals (local projects) scheme.
- 17.2 Payment irregularities have been discovered in a number of organisations participating in the non-statutory scheme.

Background

- 17.3 The statutory scheme is administered and operated by local authorities, and provides meals to primary schools only. The Department has stated that it accepts the recommendations of local authorities for the inclusion of schools in the statutory scheme and reimburses the local authority up to 50% of the food costs.
- 17.4 The non-statutory scheme was introduced in 2000 to assist school meals projects operating outside the statutory scheme and is financed in full by the Department. It provides funding directly to primary and post-primary schools, local groups and voluntary organisations, which operate their own school meals projects. It was extended in 2004 to include not-for-profit groups, non-commercial crèches and pre-schools. The scheme does not apply to commercial undertakings.
- 17.5 Any school can apply to participate in the relevant scheme. This includes schools participating in the Department of Education and Skills' DEIS (Delivering Equality of Opportunity in Schools) programme, which focuses on addressing the educational needs of children and young people from disadvantaged communities.¹
- 17.6 A participating organisation can be a stand alone school, or a school completion programme, or represent multiple schools or entities. There were 1,081 participating organisations approved for funding for the 2013/14 school year, covering 1,128 schools and 181 other bodies (pre-schools, non-commercial crèches or not-for-profit groups). Figure 17.1 shows the funding and type of participating organisations for the 2013/14 school year.

¹ The DEIS framework is currently under review by the Department of Education and Skills.

Figure 17.1 Funding and organisation type 2013/14 school year

Type of organisation	No. of organisations	Funding	Average funding per organisation
		€000	€
DEIS organisations	591	19,704	33,300
Non-DEIS organisations	132	3,031	23,000
Special school organisations	57	772	13,500
Pre-schools and NFP organisations	150	1,943	13,000
Multi-entity organisation	151	6,596	43,700
Total	1,081	32,046	29,600

Source: Analysis by the Office of the Comptroller and Auditor General.

Note: €0.97m was allocated under the statutory scheme in the 2014 financial year to 346 schools participating in the scheme. Average funding per school was €2,800.

Scheme Objectives

- 17.7** The objective of the non-statutory scheme is to provide regular, nutritious food to children who are unable, due to lack of good quality food, to take full advantage of the education provided for them. Funding is intended to target disadvantaged children or children with special needs, and is strictly for food items only.
- 17.8** The type and range of meals provided, as well as the method and logistics of supplying the meals, are decided by the participating organisations. Administration costs must be borne by the participating organisation.
- 17.9** The Department has no guidelines in place as to how disadvantaged children should be identified in non-DEIS schools – it is left to the discretion of the principal. Neither the Department nor the Department of Education and Skills have indicated how such children should be identified, or how the programme should target them.
- 17.10** The Accounting Officer stated that the Department, in consultation with the Department of Education and Skills, consider that in the context of the scheme, school principals are best placed to determine the needs of pupils.
- 17.11** Funding under the scheme is based on a rate per child per day, depending on the type of meal being provided. The current maximum rates are €0.60 for a breakfast or snack, €1.40 for a lunch or light meal and €1.90 for a dinner or hot meal.
- 17.12** Due to budget restrictions, funding allocations to existing organisations for a school year cannot exceed the level of funding provided in the previous school year. From 2008, the scheme was restricted, only allowing funding to new applicants that were designated as DEIS.
- 17.13** Access to the school meals programme is available to all types of DEIS schools (primary urban/rural and post-primary). All children attending a DEIS school are eligible to participate in the scheme, irrespective of whether they are disadvantaged or not. DEIS schools receive a range of other funding supports not related to the provision of student meals, from the Department of Education and Skills and Tusla.¹

¹ Tusla is the Child and Family Support Agency.

Figure 17.2 Breakdown of DEIS schools and those participating in the school meals (local project) scheme, 2009/10 to 2013/14

School year	Total no of DEIS schools	DEIS schools in the scheme	% participating
2013/14	850	733	86%
2012/13	860	676	79%
2011/12	866	659	76%
2010/11	877	672	77%
2009/10	878	592	67%

Source: Department of Education and Skills and the Department of Social Protection – analysis by the Office of the Comptroller and Auditor General.

Allocation of Funding

17.14 At application stage, organisations state average numbers expected to participate in the scheme on a daily basis. At year-end, the organisation submits an income and expenditure report setting out the total expenditure by month and the income received from all sources, including the school meals scheme. The report does not require declaration of the actual numbers that participated in the scheme, and there is no procedure undertaken by the Department to reconcile the numbers applied for against the numbers that actually participated. Neither the application form nor the income and expenditure report requires total school enrolment numbers to be stated.

17.15 Figure 17.3 sets out the funding provided for the number of pupils applied for, together with surplus funds on hand in funded organisations at the end of each school year.

Figure 17.3 School meals scheme expenditure by school year, 2009/10 to 2013/14

School Year	Number of pupils applied for	Total	Reported surplus funds
		€m	€m
2013/14	151,292	32.0	1.9
2012/13	146,981	30.1	2.2
2011/12	136,884	29.7	3.4
2010/11	135,243	29.9	4.5
2009/10	144,582	31.5	3.8

Source: Department of Social Protection

17.16 Funds unspent at the end of the school year were in excess of 10% of the funding provided each year from 2009/10 to 2011/12. The surplus at the end of the 2013/14 year was 6% of the funding provided. Surpluses are offset against funding allocations for the following school year.

Payment Irregularities

- 17.17** The internal audit unit (the IAU) of the Department commenced audits of the scheme payments in 2008, initially examining three schools. After information came to its attention from another source, it expanded the audit to investigate another school in 2011 due to concerns around inflated pupil numbers and inflated supplier costs. It discovered irregularities of around €802,000 in two schools.
- 17.18** The Department expanded its examination of the scheme by requesting the IAU to audit a number of other schools. In 2011, the IAU audited 11 schools and in one case, irregularities involving an amount of over €102,000 were detected and referred to An Garda Síochána.
- 17.19** In addition, information was made available from the Department of Education and Skills in 2011 in relation to one school, concerning allegations of false returns under the scheme. It was concluded that an irregularity of €57,713 had occurred in relation to school meals.
- 17.20** On foot of the irregularities identified, the Department rolled out an inspection programme in 2012. Prior to the commencement of an inspection in a school as part of the 2013 inspection programme, suspected fraudulent activity relating to funding the school received under the school meals scheme, was reported to the Department. Another case of payment irregularity was disclosed to the Department by a school on foot of an inspection in 2013, where the number of pupils and the amount spent on food had been overstated.

17.21 Summaries of the six irregularity cases are presented in Figure 17.4.

Figure 17.4 Summary of serious irregularity cases

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Year identified	2011	2011	2011	2011	2013	2013
Value	€	€	€	€	€	€
Total overpayment	398,871	402,873	102,441	57,713	73,320	368,727
Less direct repayments	–	164,666	102,441	57,713	–	368,727
Less offsets	130,299	108,873	–	–	–	–
Balance due at end of 2013/14 school year	268,572	129,334	–	–	73,320	–
How the overpayment arose						
Inflated pupil numbers/false returns	✓		✓	✓	✓	✓
Expenditure on non-food items	✓	✓	✓			
Failure to disclose income from other sources/surpluses	✓		✓			
Inadequate records of participants and/or supplies	✓	✓		✓		
Status of case						
Reported to An Garda Síochána	✓	✓	✓	✓	✓	✗
Prosecution sought	✗	✗	✗	✗	✓	✗
Still participating in the scheme	✓	✓	✗	✓	✗	✗
Current status	Under review	Under review	Case closed	Case closed	Court case pending	Case closed

Source: Department of Social Protection – analysis by the Office of the Comptroller and Auditor General.

17.22 Schools have been allowed ‘run down’ overpayments by continuing to pay for the school meals scheme in their schools through their own resources without annual funding from the Department. In doing so, the Department seeks to maintain a balance between continuing to provide a service to children in need of support, and recovery of excess payments.

17.23 The Department does not record identified irregular payments or overpayments on its systems. Where applicable, the Department manually deducts the overpayment against subsequent claims. In the cases in Figure 17.4 where overpayments remained to be recovered at the end of the 2013/14 school year (cases 1, 2 and 5), the progress in recovering the overpayments is as follows.

- In Case 1, annual recoveries by way of offset are around €26,000. Based on this rate, it could take up to ten years to recover the overpayment in full.
- In Case 2, the school received funding of €40,000 in both the 2013/14 and 2014/15 school years despite still owing a significant balance to the Department.
- In Case 5, no recovery has been sought by the Department as a court hearing is pending.

17.24 The Accounting Officer stated that there is a balance to be maintained by the Department in terms of restricting payments to schools and continuing to provide a service for the children therein.

- In relation to Case 1, a recovery plan is in place based on the ability of the school to pay while ensuring that the service continues to be provided. The Department has sought lump sum refunds from the school which have not materialised due to insufficient funds.
- In relation to Case 2, a recovery plan is in place with the school which is being adhered to. A substantial lump sum repayment of €100,000 was made by the school to the Department, in addition to annual repayments of over €32,000 over a six-year period from September 2013.

Department of Social Protection Inspection Programme

17.25 The inspection programme commenced by the Department in 2012 consists of on-site inspections in a random sample of participating organisations to verify that the scheme rules are being adhered to.

17.26 The Department relies on the inspection programme to confirm that funding provided to participating organisations has been spent in accordance with the scheme's purpose and rules, as well as examining application forms and income and expenditure reports submitted by the organisations annually. In addition, participating organisations are requested to submit supporting documentation for one month when submitting their income and expenditure reports. The month is selected by the participating organisation and the Department carries out desk reviews of the documentation.

17.27 The Accounting Officer stated that the inspection programme, which commenced in 2012 and involves on-site visits by Social Welfare Inspectors, strengthens and supports the controls in place. These controls include an examination of the application form (required each year) which requires two signatories from the organisation, the provision of income and expenditure reports to verify expenditure and supporting documentation for one month in respect of the food purchased. The month is selected by the organisation and the Department carries out desk reviews of the documentation.

17.28 Figure 17.5 sets out a summary of the inspection activity. The inspections are retrospective. The inspection programme for the 2013/14 school year commenced in August 2015.

Figure 17.5 Rate of inspections and outcomes, 2010/11 to 2012/13

Reference year	2010/11	2011/12	2012/13
Total number of organisations in the scheme ^a	1,020	999	997
Total number of organisations inspected	60	105	81
Rate of inspections	5.8%	10.5%	8.1%
No. of reports completed	59	103	79
Outcome			
Serious issues ^b	1	1	–
Less serious issues ^c	7	7	17
Operating satisfactorily	51	95	62

Source: Department of Social Protection – analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a The number of individual schools inspected is higher, because some organisations provide services to a number of schools.
 - b Serious issues are those where there is a suspected fraud, or a significant error or irregularity.
 - c Less serious issues involve non-compliance with scheme rules or errors involving minor amounts.

Audit Examination

17.29 A review of payments to 23 organisations under the non-statutory scheme for the 2013/14 school year noted the following.

- Funding for subsequent academic years was issued without checks to determine whether there were prior year surpluses. In one case, the audit noted that the participating organisation had surplus funds of €50,000 in its bank account but the Department did not investigate the source of the funds prior to payment.
- For DEIS schools, there is an entitlement to claim for the full number enrolled, if all are availing of meals. A comparison of school enrolment numbers to actual numbers claimed found that in eight out of 20 DEIS schools, the numbers claimed and paid for were higher than the enrolment numbers. It is estimated that the total over-claimed by the schools was around €42,000, or 7.8% of the amount paid.
- Following an inspection, one school reduced the number of pupils being applied for by 9%. The number applied for fell from 340 in 2013/14 to 310 2014/15. As a proportion of total school enrolment, the percentage of pupils claimed for fell from 96% to 86%.

17.30 The Accounting Officer stated that

- in relation to the first case identified – based on reviewing the income and expenditure report which was signed off by the school principal, and the supporting invoices submitted, the Department was satisfied at the time of making payments that school meals funding was accounted for
- in relation to enrolment numbers in respect of eight cases, the average number of pupils provided on the application form in respect of seven of these cases was marginally higher (less than ten pupils) than the enrolment numbers. It can be difficult for schools to predict the take-up of school meals in advance due to changes in pupil admissions, student absences and school closures, due, for example, to inclement weather.

The allocation for all schools for the coming school year has been adjusted in line with the actual pupil numbers in the previous school year as published by the Department of Education and Skills other than in cases where there is a verifiable significant increase in school numbers.

Conclusions and Recommendations

- 17.31** There has never been an evaluation of the school meals scheme by the Department to determine the extent to which it is reaching disadvantaged children, or whether it is having a beneficial impact on those children, thereby enabling them to take full advantage of the education being provided. Furthermore, the Department has no guidelines in place as to how disadvantaged children should be identified in non-DEIS situations. The scheme allows all children in DEIS schools to avail of the subsidy, irrespective of their level of disadvantage.

Recommendation 17.1

The Department should evaluate the extent to which the non-statutory school meals scheme is achieving its objectives of providing regular, nutritious food to children who are unable, due to lack of good quality food, to take full advantage of the education provided to them, and achieving value for money. The Department should also consider the extent to which funding is targeted at disadvantaged children or children with special needs.

Accounting Officer's response

Part agreed. The Department agrees in principle that an evaluation should be undertaken to assess the extent to which the scheme is achieving its objectives while ensuring value for money. The Department will continue to review the guidelines regarding the type of food to be supplied and the value for money being achieved. Evaluation of educational outcomes is a matter for the Department of Education and Skills.

- 17.32** There are currently no checks undertaken by the Department on schools participating in both the statutory and non-statutory school meals schemes to ensure that there is no duplication in applying for funding. Furthermore, there are no checks in place to independently verify the number of pupils claimed for by organisations; participation numbers are checked during inspections, but no reconciliation between numbers claimed for and numbers participating is undertaken.
- 17.33** Information supplied on all forms submitted to the school meals section needs to be independently checked and verified. Currently, details of bank account balances, to confirm surpluses/deficits, are not required nor are details of the number of students that actually participated in the scheme. Income from other sources is made on a self-declaration basis. Only one month's receipts are reviewed by the school meals section, the choice of month being at the discretion of the organisation/school.

- 17.34** The school meals system is primarily administered on a manual basis with the support of a stand alone database. Overpayments, and the status thereof, are not recorded on any departmental IT system; therefore it is difficult for the Department to exercise adequate control over the amounts involved and their recoupment. Of the overpayments noted in the summary of irregular cases (see Figure 17.4), only three have been fully recouped. Recovery by offset in two cases is slow.

Recommendation 17.2

A review of controls over the scheme, including risk assessment, should be undertaken. The Department should seek supporting documentation for all forms submitted by organisations. A cross check of average pupil numbers claimed for against enrolment numbers as per the Department of Education and Skills should be incorporated into controls. Furthermore, the choice of month for receipts to be submitted should be randomly selected by the school meals section, after receipt of the income and expenditure report. The Department should also record overpayments on its debt management system to ensure they are properly recorded, monitored and recouped.

Accounting Officer's response

Agreed. The Department accepts this recommendation which will enhance and strengthen the existing controls and procedures in place. A risk assessment of the scheme will be undertaken in advance of the application process for the 2016/17 academic year.

The choice of month for receipts to be submitted will be selected by the Department commencing in the current academic year. All new applicants to the scheme from September 2015 are required to set up a bank account specifically for school meals. Existing schools who do not operate a separate bank account for school meals funding, and where payments received are in excess of €10,000 per annum, will be required to have one in place for the start of the 2016/17 school year. Commencing from the start of the 2017/18 school year, the Department will also seek bank statements as part of the annual application process in addition to the income and expenditure account.

School meals funding for the current academic year is based on the actual enrolment figure for the previous school year as published by the Department of Education and Skills, other than in cases where there is a verifiable significant increase in school numbers.

Overpayments are raised as appropriate, recorded manually and agreed recovery arrangements are in place with schools. These arrangements are being monitored and are being adhered to.

The school meals system is primarily administered on a manual basis with the support of a standalone database. The Department has initiated a scoping exercise to migrate the school meals application process to its central IT platform, which will be progressed, in addition to changes to the central overpayments system, in the context of competing priorities.

In addition, the inspection programme which commenced in 2012 is being expanded and a three year programme is being put in place to cover the inspection of all schools commencing during September 2015. To support this inspection programme, additional staffing resources have been allocated to the school meals section of the Department.

- 17.35** Current inspections find a relatively high rate of compliance by funded organisations with the conditions of the scheme. Where serious cases of irregularity have come to light, there has not been a consistent approach to follow-up action e.g. reports of suspected fraud referred to An Garda Síochána. Reports of inspections in cases of irregularity are also not sent to the Department of Education and Skills to inform it in its oversight of schools.
- 17.36** Penalties or sanctions have not been imposed on organisations for any of the various issues emerging from the inspection reports. Amounts overpaid have been recovered from schools both through direct repayments and through withholding allocations. In the latter case, the Department endeavours to ensure that the scheme continues to benefit children who are entitled to avail of the school meals support. The Department has not removed any organisation from the scheme.

Recommendation 17.3

The Department should report the outcomes of inspection reports that highlight irregularities to the Department of Education and Skills for information.

Accounting Officer's response

Agreed. The Department accepts this recommendation and will report on an ongoing basis the outcome of the inspection process to the Department of Education and Skills. Details of the serious irregularity cases as referred to in Figure 17.4 have now been made available to the Department of Education and Skills.