

Final Internal Audit Report Thornton Heath Nursery School February 2018

Distribution: Executive Head Teachers
Chair of Governors
Head of Nursery
Executive Director, People (Final Only)
Director of Finance, Investment and Risk (Final Only)
Director of Education and Youth Engagement (Final Only)

Assurance Level		Recommendations Made	
Substantial Assurance	Direction of Travel from previous audit: Up from Limited	Priority 1	0
		Priority 2	4
		Priority 3	3

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1. Introduction

- 1.1. Thornton Heath Nursery School is a Nursery School and at the time of audit there were 126 pupils attending. It has an expenditure budget of approximately £0.6m for the current financial year.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2017/18 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Recommendations and Issues

Priority 2 Recommendations

Monthly payroll reports were not being signed to evidence that they had been checked, **(Rec 1)**.

We noted that satisfactory health clearances had not been obtained for two of the three new starters sampled, **(Rec 2)**.

One staff DBS check was over 3 years old and the DBS check for one new governor was applied for more than 21 days after the date of their appointment **(Rec 3)**.

Goods or services received checks had been not been appropriately evidenced for three out of the fifteen transactions sampled **(Rec 4)**.

The priority 3 recommendations are included included under item 4 below.

Acknowledgement

We would like to thank the following members of staff for their time and contribution to this audit:

- Head of Nursery
- School Business Manager

3. Actions and Key Findings/Rationale

Audit Area: Payroll

Priority	Recommendation 1	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	In future monthly payroll reports to be signed by the Head of Nursery to confirm accuracy.	<p>Expected Control The Head of Nursery should carry out regular checks to ensure that salary payments made are appropriate and accurate. The monthly payroll report is a control mechanism that assists the Head of Nursery to effectively carry out these checks and should be signed as agreed.</p> <p>Issue / Finding The monthly payroll reports for the period April to December 2017 were examined. While discussion established that the monthly payroll reports were checked by the Head of Nursery, these were not signed to evidence this check.</p> <p>Risk Where the Head of Nursery has not signed to confirm agreement of the monthly payroll reports, there is a risk that salary payments are inaccurate and potentially persons not employed by the school are being paid.</p>	Agreed	Head of Nursery	Completed January 2018
Management Response					
These reports are now being signed by the Head of Nursery.					

Priority	Recommendation 2	Detailed Finding/Rationale						
2	<p>Health clearance should be obtained for the two identified staff.</p> <p>In future, satisfactory health clearances should be obtained for new staff prior to commencing work.</p>	<p>Expected Control</p> <p>The School is required to conduct adequate pre-employment checks to confirm the suitability and eligibility of prospective employees and a record including copies of documents, held on individual personnel files. It is advisable for the School to obtain medical clearance for new starters prior to appointment.</p> <p>Issue/Finding</p> <p>Examination of the documentation relating to a sample of three recent appointments found that in two of these cases medical clearance had not been obtained.</p> <p>Risk</p> <p>If the School does not obtain medical clearance for a new starter prior to appointment, there is a risk that the employee may not meet the required medical standard and may take exceptional amounts of sick leave.</p>						
Management Response		<table border="1"> <thead> <tr> <th data-bbox="855 909 919 1294">Agreed/Disagreed</th> <th data-bbox="855 577 919 909">Responsible Officer</th> <th data-bbox="855 244 919 577">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="935 909 967 1294">Agreed</td> <td data-bbox="935 577 967 909">Head of Nursery</td> <td data-bbox="935 244 967 577">Completed February 2018</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	Head of Nursery	Completed February 2018
Agreed/Disagreed	Responsible Officer	Deadline						
Agreed	Head of Nursery	Completed February 2018						
This will be done.								

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>DBS checks for new governors must be sought within 21 days of their appointment as a governor.</p> <p>The DBS checks for the identified staff should be progressed as soon as possible.</p>	<p>Expected Control</p> <p>The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 makes DBS checks mandatory for governors in maintained schools. It states "16A.—(1) Where a governor has been elected or appointed before 1st April 2016 and does not hold an enhanced criminal record certificate, the governing body must apply for such a certificate in respect of that governor by 1st September 2016.</p> <p>(2) Where a governor is elected or appointed on or after 1st April 2016 and does not hold an enhanced criminal record certificate, the governing body must apply for such a certificate in respect of that governor within 21 days after his or her appointment or election."</p> <p>It is also Croydon Council Policy that all DBS checks are renewed after 3 years.</p> <p>Issue/Finding</p> <p>One governor was appointed since 1 April 2016, but the DBS was not applied for within 21 days as required, namely for the governor appointed 30 October 2017, but her DBS was not applied for until 8 December 2017, (her subsequent DBS is dated 9 January 2018.).</p> <p>Examination of the Schools DBS register provided at the time of audit established that one of DBS check was older than 3 years, namely for an Early Years Educator (dated 10/05/2013).</p> <p>Risk</p> <p>Where DBS requests and renewals are not requested as required by Local Authority policy or by legislation, there is a risk that the School is in breach of its statutory duty and its safeguarding measures may be perceived as inadequate.</p>
Management Response	Agreed/Disagreed	Responsible Officer
This will be done.	Agreed	Head of Nursery
		Deadline
		Completed January

Audit Area: Procurement

Priority	Recommendation 4	Detailed Finding/Rationale
2	The Head of Nursery should ensure that officers checking that the goods/services have been received obtain and sign delivery notes/invoices accordingly.	<p>Expected Control The Thornton Heath Nursery School 'Financial Policies and Procedures Manual, section 8.7 states that, 'Checks should always confirm:</p> <ul style="list-style-type: none"> a) Receipt of goods or services, cross referenced to the order number; g) The office administrator must check goods and services on receipt match the order which should be annotated accordingly." <p>Issue/Finding Examination of the documentation relating to a sample of fifteen purchases identified that appropriate goods or services received checks were not evidenced for three of these (20%).</p> <p>Risk Where appropriate evidence of goods/services received checks is not retained, there is a risk that payments are made for goods and services that are not received.</p>
Management Response		Agreed/Disagreed
This will be done.		Agreed
		Responsible Officer
		Head of Nursery
		Deadline
		Actioned

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The New Governor Induction pack should include the Croydon Scheme for Financing Schools and a copy of the School's latest budget.</p> <p><u>Management Response:</u> Actioned</p>	<p>The DfE recommends that schools provide new governors with an induction pack that gives adequate guidance and that their roles and responsibilities have been explained.</p> <p>Examination of the New Governor Induction pack indicated that this did not include a copy of the Croydon Scheme For Financing Schools or the School's 2017/18 budget.</p>
<p>2) The School's Data Protection Policy should include a document retention appendix.</p> <p><u>Management Response:</u> To be actioned when policy is reviewed and amended according to GDPR.</p>	<p>The Data Protection Act 1998 controls how personal information is used by organisations, businesses and the government. Everyone responsible for using data is required to make sure the information is not kept for no longer than is absolutely necessary.</p> <p>The School has a Data Protection Policy dated November 2014; however, this does not include a document retention schedule.</p> <p>If the School does not have a Data Protection/Information Management Policy with detailed document retention guidance in place, there is a risk that the staff may not be aware of and not comply with the required practices and as a consequence the Data Protection Act 1998 may be breached.</p>
<p>3) Equipment loan forms should clearly explain responsibility for the item borrowed.</p> <p><u>Management Response:</u> Completed February 2018.</p>	<p>The School's iPad loan form does not contain a requirement not to leave the borrowed iPad in an unattended car.</p> <p>Where the iPad loan agreement does not clearly specify the obligations of the borrower, there is a risk that a loss might occur and the School may not be able to recover the cost from the employee.</p>

**Agreed Terms of Reference
Thornton Heath Nursery School – 2017/18**

1. INTRODUCTION & BACKGROUND

1.1 This audit is being undertaken as part of the agreed Internal Audit Plan for 2017/18.

2. AUDIT OBJECTIVES AND METHODOLOGY

2.1 To provide an independent and objective opinion on the degree to which the Council's internal control environment supports and promotes the achievement of the Council's objectives. The internal control environment comprises the policies, procedures and operations in place to:

- establish, and monitor the achievement of the service's objectives;
- identify, assess and manage the risks to achieving the services objectives;
- facilitate policy and decision making;
- ensure the economical, effective and efficient use of resources;
- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- safeguard the service's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

2.2 To confirm that management have controls in place to detect and vigorously, pursue, fraud, corruption, other irregularities, errors and poor value for money.

2.3 To confirm that appropriate management action has been taken to implement recommendations for change leading to improvement in performance and/ or control.

3. SCOPE

3.1 The audit included the following areas (and number of recommendations made):





Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance and Leadership	0	0	1

Budgetary Control & Monitoring	0	0	0
Payroll	0	3	0
Safeguarding	0	0	0
Procurement	0	1	0
Bank Accounts	0	0	0
Information Governance	0	0	2
Income	0	0	0
Health and Safety	0	0	0
School Fund	0	0	0

Definitions for Audit Opinions and Recommendations

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.