

Final Internal Audit Report Tunstall Nursery School April 2018

Distribution: Executive Head Teacher
Chair of Governors
Deputy Head Teachers
School Business Manager
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	1
		Priority 3	3

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1. Introduction

- 1.1. At the time of audit there were 116 pupils attending Tunstall Nursery School. 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

- 1.3. Both the Schools electrical installation condition report, dated 3 March 2017, and the School's Fire Risk Assessment, dated 15 May 2017, were unsatisfactory and were still awaiting remedial action by the Council at the time of audit. Assurances were subsequently obtained that these remedial actions were being progressed and thus no recommendation/s are arising in this regard.

Priority 2 Recommendation

Sample testing identified a transaction where evidence of a tender exercise being undertaken as required by the Schools Finance Policy and Procedures Manual was not available (**Rec 1**).

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:

- Executive Head Teacher
- School Business Manager
- Deputy Head Teachers

3. Actions and Key Findings/Rationale

Audit Area: Procurement

Priority	Recommendation 2	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	All future high value purchases should be supported by a sufficient number of quotes or tenders where required.	<p>Expected Control</p> <p>The Tunstall Nursery School Finance Policy and Procedures Manual section 6.5 states that, 'budget holders are expected to purchase objectively using catalogue prices for standard items and written quotations otherwise. A specified number of quotations are required as follows:</p> <p>Up to £1,000 One written quotation; £1,001 - £5,000 Two written quotations; £5,001 - £10,000 Three written quotations.'</p> <p>Issue/Finding</p> <p>Examination of the documentation relating to a sample of fifteen transactions identified that one of these was over £1,000 but no quotations had been obtained.</p> <p>Further examination of the bank history report and discussion with the interim School Business Manager, established that this was the monthly payment for cleaning services and that, as the annual cost would exceed £10k, this should have been tendered. The interim School Business Manager confirmed that this had not been tendered as required.</p> <p>Risk</p> <p>Where the School cannot demonstrate that an appropriate tender exercise has occurred, there is a risk that the School is not achieving value for money.</p>	Agreed	Deputy Head Teachers	31.07.18
Management Response		Agreed/Disagreed	Responsible Officer	Deadline	
A tender was not made for this cleaning service contract which meant that we were non-compliant		Agreed	Deputy Head Teachers	31.07.18	

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<p>with our own policy. At the time the cleaning contract was renewed, we were in the process of considering a federation with Park Hill Infants School. In light of this we were advised to begin aligning all of our services - this included the cleaning contract.</p> <p>We did achieve better value for money, benefitting from a discounted rate by utilising the established relationship that Park Hill Infants School had with them.</p> <p>We are in the process of updating the Finance Policy and Procedures Manual section 6.5 to improve the wording of our quotations and tendering process. Governing Body approval and ratification of revised process required by 31.07.2018.</p>			
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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The New Governor Induction pack should include the Croydon Scheme for Financing Schools, the Nursery's delegation of authorisation levels, the Nursery's 2017/18 Budget and a list of training available for Governors.</p> <p><u>Management Response:</u> We have only had one new governor (parent) join the governing body during the audit review period.</p> <p>All governor training opportunities have been made available to them, All of the following DfE recommended items would have been shared and discussed within their first 3 months:</p> <ul style="list-style-type: none"> • The Scheme For Financing Schools • the Nursery's delegation of authorisation levels • the Nursery's 2017/18 budget <p>These items were introduced to new governor through face-to-face meetings with the headship team during their induction period.</p> <p>We agree that it would be better to formalise these DfE recommended items within the Governor induction pack though to ensure that they are always given at the start of a new Governor's Governing Body appointment.</p> <p>The Induction pack will therefore be updated by 31.05.2018 to include:</p> <ul style="list-style-type: none"> • The Scheme For Financing Schools • the Nursery's delegation of authorisation levels • the Nursery's current financial year budget 	<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: The Scheme For Financing Schools, the Nursery's delegation of authorisation levels, the Nursery's 2017/18 budget or a list of training available for Governors.</p>

2) For all cases where costs relating to transactions can be identified in advance, management should ensure that orders are raised and appropriately certified in advance of purchases being initiated.

Management Response:

Cheque was made up of two commitments as follows:

- Item 1 - monthly cleaning service
- Item 2 - heavy duty bin bags

Item 1 was raised and authorised prior to the expenditure being made. A purchase order was raised and authorised as part of the annual SLA commitment on the FMS system.

Item 2 was authorised prior to the expenditure being made however this was not formally documented.

Due to a timing issue with School Business Manager's (SBM) availability, it was not raised on the FMS system as a purchase order prior to the expenditure being made. Therefore there was no written authority to demonstrate that the authorisation had occurred prior to the expenditure being made.

SBM worked part time hours only and the purchase of the bin bags was authorised on one of her non-working days.

This should be remedied in the main by the return of the full time SBM from 16.04.2018. She will be available to enter the commitment onto FMS, get the purchase order input to FMS and authorised prior to the purchase being made.

In the event that the full time SBM is out of the office (on training / sickness leave, etc), we will ensure that if any expenditure is authorised in her absence, that the person authorising it emails details of their authorisation to the

The Tunstall Nursery School Finance Policy and Procedures Manual section 6.5 states that 'Written, pre-numbered orders are used for all goods and services.'

Examination of the documentation relating to a sample of fifteen transactions identified that in one instance the order had been raised subsequent to the corresponding invoice being received by the Nursery.

Where official orders are not raised and authorised prior to purchases being made, there is a risk that the authorisation and commitment processes are by-passed which may result in inappropriate purchases and poor budgetary control.

<p>SBM so that this can be attached to the relevant purchase order when it is input to FMS.</p>	
<p>3) Equipment loan forms should clearly explain responsibility for the item borrowed.</p> <p><u>Management response:</u> Since the audit we have updated our iPad and Laptop loan forms and aligned them with the forms used at Park Hill Infant School.</p>	<p>The iPad loan form does not contain a requirement not to leave the borrowed iPad in an unattended car, as this will not be covered by the School's insurance policy.</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 Nursery may not be able to recover the cost from the employee.</p>

**Agreed Terms of Reference
Tunstall 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	0	0
Safeguarding	0	0	0
Procurement	0	1	1
Bank Accounts	0	0	0
Information Governance	0	0	1
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.