

Final Internal Audit Report

Thornton Heath Nursery School

January 2021

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

Assurance Level	Recommendations Made	
No Assurance	Priority 1	2
	Priority 2	10
	Priority 3	2

Confidentiality and Disclosure Clause

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 Thornton Heath Nursery School provides places for children aged between two and four years old and is a school provided by the London Borough of Croydon which is run on their behalf by the Pegasus Academy Trust. It has an expenditure budget of approximately £0.635M for 2020/21.
- 1.2 The audit was undertaken as part of the agreed Internal Audit Plan for 2020/21 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

- 2.1 The responses provided by the School to the draft audit report do not provide assurance that the recommendations raised have been accepted and will be properly addressed. For this reason a 'no' assurance opinion has been given.

Priority 1 Issue

The Governing Body did not hold the minimum required three meetings (face to face or on-line) during the 2019/20 school year. **(Recommendation 1)**

Sample testing of 13 transactions found that none of the invoices had been appropriately approved for payment by an identified officer. **(Recommendation 10)**

Priority 2 Issues

The School's Finance Policy and Procedure, which includes the scheme of financial delegation, has not been reviewed in the last 12 months as required. **(Recommendation 2)**

The School's 2019/20 completed SFVS self-assessment, although signed by the Chair of Governors, has not been formally agreed by the full Governing Body as required. **(Recommendation 3)**

The School's 2019/20 annual budget, although signed by the Chair of Governors, had not been formally agreed by the full Governing Body as required. **(Recommendation 4)**

Monthly budget monitoring was not being conducted. **(Recommendation 5)**

Examination of the Single Central Record found the Disclosure Barring Service (DBS) checks for four governors were last renewed over three years ago. **(Recommendation 6)**

The Schools Pay Policy had not been formally reviewed and agreed by the full Governing Body in the last 12 months as required. **(Recommendation 7).**

Sample testing of the records for three new starters found that evidence of 'right to work' checks was not being maintained as required. **(Recommendation 8)**

Sample testing of 13 non-pay expenditure transactions found three cases where the orders were dated after the corresponding invoices. **(Recommendation 9)**

Sample testing of 13 non-pay expenditure transactions found five cases where there was no goods received/services check evidenced. **(Recommendation 11)**

Examination of the procurement card documentation provided for the period 3 June to 3 October 2020 found that there was no evidence of any reconciliations being conducted. **(Recommendation 12)**

Priority 3 recommendations are 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
- Executive Principal
- Finance Officer

3. Actions and Key Findings/Rationale

Audit Area: Governance and Leadership

Priority	Recommendation 1	Detailed Finding/Rationale
1	The Governing Body must ensure that it meets at least three times every school year.	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 13 (1) details that, <i>‘The governing body must hold at least three meetings in every school year.’</i></p> <p>The Department for Education update in June 2020 ‘School governance: coronavirus (COVID-19)’ highlights that, <i>‘governing and trust boards will need to be aware of the operational decisions being taken by the school or trust’s senior leaders, and should be assured that an adequate risk assessment has been conducted, and that protective measures are in place to reduce risks to children and staff’</i> and details that, <i>‘whilst social distancing rules remain, boards should adopt alternative arrangements for holding meetings, for example, by using video or teleconferencing applications.’</i></p> <p>Issue/Finding</p> <p>The Governing Body did not hold the minimum required three meetings (face to face or on-line) during the 2019/20 school year having met on 14 October 2019, 12 February 2020 and 22 October 2020 respectively. As the School does not have any committees in place (other than the Remuneration / Pay Committee) to assist the Governing Body in fulfilling its role, it is even more important that the Governing body meets with sufficient regularity.</p> <p>Risk</p> <p>The School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that the Governing Body is unable to properly fulfil its duties.</p>

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Management Response	Agreed/Disagreed	Responsible Officer	Deadline
Meeting was scheduled for 22 nd April 2020 (minuted in Feb 2020) but did not go ahead because of the national lockdown (March 2020). Under normal circumstances THNS holds 4 meetings a year.	Unfair judgement with no allowance for COVID19 pandemic	Chair of Governors	Immediately
Audit comment			
As highlighted in the detailed finding above, this is a regulatory requirement. Furthermore, Department for Education guidance relating to COVID-19 has emphasised the need for Governing body meetings during this period, which can be held on-line.			

Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>The Governing Body should formally review the School's Finance Policy and Procedure (and the scheme of financial delegation contained within it).</p> <p>The School's Finance Policy and Procedure should thereafter be formally reviewed at least annually.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18 details that, '(2) <i>The governing body must review the exercise of functions they have delegated, annually.</i>'</p> <p>Issue/Finding</p> <p>The School's scheme of financial delegation is contained within the Finance Policy and Procedure. This Finance Policy and Procedure, although dated September 2020, had not been evidenced as approved or reviewed by the full Governing Body in the last 12 months.</p> <p>Risk</p> <p>The School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that the scheme of financial delegation is not in line with the Governing Body expectations.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The policy was update in September 2020 and it is an agenda item for February 2021 governing body meeting.		Agreed	Head of Nursery	February 2021

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>The School's 2019/20 completed SFVS self-assessment should be ratified by the full Governing Body.</p> <p>The Schools SFVS self-assessments for future years must be properly agreed by Governing Body prior to submission to the Council.</p>	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools details that, '<i>Governors must demonstrate compliance through the submission of the SFVS assessment form approved by the Full Governing Body and signed by the Chair of Governors. All maintained schools with a delegated budget must submit the form to the local authority before 31st March and annually thereafter.</i>'</p> <p>Issue/Finding</p> <p>Although the School's 2019/20 completed SFVS self-assessment was signed by the Chair of Governors and submitted to the Council on 30 March 2020, this was not evidenced as discussed and agreed by the full Governing Body prior to being submitted. The last Governing Body meeting (held on 12 February 2020) prior to the SFVS self-assessment submission date of 31 March 2020 did not discuss the Schools SFVS self-assessment (and the next Governing Body meeting was planned for 22 April 2020.)</p> <p>The School explained that the 2019/20 SFVS self-assessment had been agreed via email before being sent to the Council. This e-mail agreement is not; however, valid. Governing Body decisions can only be agreed at properly constituted meetings or via Chair's action (Chairs action allows the Chair of Governors to act on behalf of the full Governing Body on urgent issues, so long as the Chairs action is ratified at the next full Governing Body meeting following that action). There was no evidence of any Chair's action being ratified at the subsequent Governing Body meeting held 22 October 2020 and it is considered that the School's SFVS self-assessment review should have been conducted as normal business and not under urgency.</p> <p>Risk</p> <p>Where the School's SFVS self-assessment is not properly considered by the full Governing Body as required, the School is in breach of the Croydon Scheme for Financing Schools and is a risk that the SFVS self-assessment may not be accurately completed or reflect the views of the full Governing Body.</p>

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Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>The SFVS was on the agenda for the GB meeting February 2020 where it was agreed and minuted that a working party would be formed to complete it. The minutes also state that it was then to be shared with the Chair of Governors. This was then agreed and signed over email.</p>	<p>Disagree</p>	<p>Head of Nursery</p>	<p>February 2021</p>
Audit Comment			
<p>As highlighted in the detailed finding above, the full Governing Body is required to approve the Schools completed SFVS self-assessment. The Governing Body can only approve items at formally constituted meetings and not 'over email'. Alternatively the Chair of Governors may act (using Chairs action) on behalf of the full Governing Body on urgent issues, so long as the Chairs action is ratified at the next full Governing Body meeting following that action (this must be minuted).</p>			

Audit Area: Budgetary Control & Monitoring

Priority	Recommendation 4	Detailed Finding/Rationale		
2	Future school budgets should be formally approved by the full Governing Body, and the approval evidenced in meeting minutes, prior to being submitted to the Local Authority by the deadline of 1 May each year.	<p>Expected Control</p> <p>The ‘Croydon Scheme for Financing Schools’ paragraph 2.3 details that, ‘<i>Governing Bodies are responsible for agreeing an income and expenditure plan for the financial year and that, ‘The approved budget is required to be submitted to the Council by 1 May each year.’</i></p> <p>Issue/Finding</p> <p>It was explained by the Executive Head Teacher that the 2020-21 budget had been approved by the Chair of Governors with the oversight of the Executive Head Teacher. There was; however, no evidence within the Governing Body meeting minutes (either prior to this being signed and submitted to the Council, or subsequently to approve chairs action) of this being submitted to and approved by the full Governing Body as required.</p> <p>Risk</p> <p>Where the budget is not evidenced as approved by the full Governing Body prior to being submitted to the Local Authority, the School is in breach of the ‘Croydon Scheme for Financing Schools’ and there is a risk that the budget may not be in line with Governing Body expectations.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
It was minuted in the February 2020 minutes that the Chair of Gobs signed off the Q3 annual budget listing, Q3 virements, Q3 statement of income and expenditure, forward planning summary 2019-2020. As there was no meeting held in April 2020 the Initial Budget Summary was shared the governing body through email and was signed off by the Chair of Governors. The Q2 working budget summary 2020-2021 was		Disagree as approved by email	Head of Nursery	Next Governing Body meeting

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an agenda item for the October 2020 meeting and were subsequently signed off by the Chair of Governors / Executive Headteacher. The DRAFT minutes that were available at the time of the audit have been amended to state this.

Audit Comment

The Governing Body can only approve items at formally constituted meetings and not 'over email'. Alternatively the Chair of Governors may act (using Chairs action) on behalf of the full Governing Body on urgent issues, so long as the Chairs action is ratified at the next full Governing Body meeting following that action (this must be minuted).

The draft minutes of the Governing Body meeting held 22 October 2020 provided make no mention of Chairs Action nor of budget approval.

Priority	Recommendation 5	Detailed Finding/Rationale		
2	Produce monthly budget monitoring reports and have these evidenced as checked by the Head Teacher.	<p>Expected Control</p> <p>The School Financial Value Standard support notes to question 12 detail that, ‘School staff should monitor the budget on a monthly basis so that they can alert the governing body as soon as they become aware that the end year outturn may be significantly different from the budget projections. If it appears that there may be significant variances, these should be reported immediately to the governing body. The school should not wait for the next meeting to report.’</p> <p>Issue/Finding</p> <p>It was established that the School does not conduct monthly budget monitoring. The Executive Head Teacher explained that they are not required to produce monthly budget monitoring reports since they are not in a deficit.</p> <p>Regardless of whether the School is in deficit or not, budget monitoring should occur monthly as part of sound financial management practises.</p> <p>Risk</p> <p>Where monthly budget monitoring reports are not produced and evidenced as checked, there is a lack of evidence of due diligence and a risk that budget variances are not detected in a timely manner.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Clarity needed from auditor as to the term monthly budget monitoring as monthly monitoring reports are only a requirement for deficit schools. The terminology used by the auditor is confusing. JCA : Lisa (financial advisor) believes the auditors might be referring to a cost centre summary report to be printed, analysed and		Disagree	Head of Nursery	Immediately.

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signed off by Lisa and Jenette. From now on as part of the monthly visit we will analyse and sign a cost centre summary and sign as requested if this is what the auditor is referring too.

Audit Comment

As highlighted in the detailed finding above, regardless of whether the School is in deficit or not, budget monitoring should occur monthly as part of sound financial management practises.

Budget monitoring is the comparison for each budget heading (income and expenditure) of current income/expenditure and commitments against the budget.

Audit Area: Payroll

Priority	Recommendation 6	Detailed Finding/Rationale
2	<p>The School should renew the identified governor DBS checks as soon as possible.</p> <p>The School should ensure it introduces a procedure to ensure that DBS checks are renewed in a timely manner.</p> <p>In addition the 'Safeguarding Policy' should be reviewed in light of DBS checks only being accurate on the day issued.</p>	<p>Expected Control</p> <p>Disclosure and Barring Service (DBS) checks, a key safeguarding check, are only accurate on the day issued, becoming of date immediately thereafter. Except where the 'DBS Update Service' is in place, all DBS checks (for staff and governors) should be periodically renewed. The Council's policy is to renew all DBS checks every three years.</p> <p>Issue/Finding</p> <p>Examination of the School's Single Central Record established that the DBS checks for four of the Governors were last updated over 3 years ago, as follows:</p> <ul style="list-style-type: none"> • 21 March 2011 (Governor) • 10 November 2016 (Governor) • 30 September 2017 (Governor) • 28 November 2017 (Parent Governor) <p>While Covid-19 restrictions are in place the Disclosure and Barring Service has implemented temporary measures whereby documents may be checked remotely via video link.</p> <p>It was also noted that the School's 'Safeguarding Policy' in paragraph 5.6 details that, '<i>We do not repeat DBS checks once completed, unless there is a break in service of more than three months or we have concerns about a member of staff's suitability to work with children.</i>' This policy needs to be reviewed in light of DBS checks only being accurate on the day issued.</p> <p>Risk</p> <p>As DBS checks are only accurate on the day issued (except where the DBS update service is in place), where these are not periodically renewed, there is a risk that the</p>

	School will not be aware of changes in circumstances which may result in children being placed at risk.		
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>DBS certificates do not have an expiry date (Gov.uk website) There is no statutory requirement to update a DBS every three years. Staff and governors sign a “staff suitability declaration” every 6 months which states “I will also declare any offences and crimes with which I am charged and I understand a new DBS will be undertaken”</p> <p>As the school is led and managed by Pegasus Academy Trust on behalf of the LA we follow the policies and procedures of the academy and therefore I will not be adjusting the safeguarding policy as it is line with the Pegasus policy.</p> <p>The SCR is updated half termly – and a record of changes kept. The parent governor (28 Nov 2017) is no longer a governor and she was removed from the SCR in January 2021. Governor (20 Nov 2016) subscribes to the update service. Governor (30 Sept 2017) has just returned from maternity leave. Governor (21 March 2011) has a DBS from Pegasus Academy Trust and their policy does not require this to be updated every three years.</p>	Disagree	Head of Nursery	Immediately
Audit Comment			
As highlighted in the detailed finding above, DBS checks are only accurate on the day issued (unless the ‘DBS Update Service’ is in place). A “staff suitability declaration” does not give assurance that offenses and crime are declared.			

Priority	Recommendation 7	Detailed Finding/Rationale		
2	<p>The Governing Body should review and approve the Pay Policy at its next meeting.</p> <p>The Pay Policy should be annually reviewed by the Governing Body thereafter.</p>	<p>Expected Control</p> <p>The School Teachers Pay and Conditions document details that, ‘<i>All relevant bodies – both governing bodies and LAs where they are the relevant body, including for all unattached teachers – must have a pay policy. This should be linked to the appraisal policy. Pay and appraisal policies should be reviewed annually and kept up to date to take account of any uplift to the national framework and any legal changes or changes in the staffing structure which have an impact on discretionary pay decisions.</i>’</p> <p>Issue/Finding</p> <p>There was no evidence within the Governing body meeting minutes of the School Pay Policy being formally reviewed in the last 12 months. Examination of the School’s Pay Policy notes that this was last revised in July 2019.</p> <p>Risk</p> <p>Where an approved and up-to-date School Pay Policy is not in place, the School is in breach of statutory guidance and there is a risk that the School’s Pay Policy is not up to date.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>The pay policy is already on the agenda for the January meeting. Regular policy update checks are made against the Croydon Pay Policy and this had not changed from June 2013 – June 2020. The July 2019 policy was submitted for audit as this had been agreed by Govs. A new policy had been written to reflect the revised Croydon June 2020 document and was an agenda item for October Governing Body meeting however the Croydon policy was revised again in October and therefore the THNS policy</p>		Agreed	Head of Nursery	February 2021

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has had to be reviewed again before being submitted to the Governing Body. It is on the agenda for February's meeting.

Priority	Recommendation 8	Detailed Finding/Rationale		
2	<p>The School should obtain sight of and retain copies of applicants' original documents to evidence that they have the right to work in the UK.</p> <p>It should also annotate copies retained with the date of the check and that 'the originals were seen'.</p>	<p>Expected Control</p> <p>The gov.uk website details that employers must check that a job applicant is allowed to work in the UK before employing them. In this regard employers must:</p> <ol style="list-style-type: none"> 1. <i>'Ask to see the applicant's original documents.'</i> 2. <i>'Check that the documents are valid with the applicant present.'</i> 3. <i>'Make and keep copies of the documents and record the date you made the check.'</i> <p>Issue/Finding</p> <p>Examination of HR records provided for a sample of three new starters confirmed that, while right to work in the UK checks were evidenced in the School's Single Central Record, the Single Central Record did not detail what documents were seen and no evidence or copies of the documents seen were retained.</p> <p>Risk</p> <p>Where appropriate evidence of right to work in the UK is not retained in line with government guidelines, there is a risk that the School will incur a penalty (of up to £20,000 pounds) if someone is found to be working at the School without the right to work in the UK.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>The Head of Nursery sees these documents during the recruitment process and when an application is made for a DBS. On the SCR it is recorded that the original documents have been seen and it is also noted/signed on the staff personnel file which original documents have been seen. I agree that we could write down the passport number / national identity card number</p>		Agree in part	Head of Nursery	Immediately

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etc however in line with our GDPR copies of full documents will not be kept.

Audit Comment

As highlighted in the detailed finding above, the gov.uk website is clear that copies of documents seen when verifying 'right to work' checks must be retained.

Audit Area: Procurement

Priority	Recommendation 9	Detailed Finding/Rationale		
2	The School should ensure that all purchase orders are appropriately authorised in line with the School's Finance Policy and Procedures before committing to purchases.	<p>Expected Control</p> <p>Section 8.2, 8.4 and 8.6 of the School's Finance Policy and Procedures detail that, 'Official, pre-numbered orders from the FMS system must be used for all goods and services except utilities, rents, rates and petty cash payments. Where urgency requires an oral order, these must be confirmed by a written order' and 'All orders must be signed by a member of staff approved by the Governing Body' and, 'Where an order is placed, the estimated cost must be committed against the appropriate budget allocation so that it features in subsequent budget monitoring.'</p> <p>Issue/Finding</p> <p>Three purchase orders from the sample of 13 non-pay expenditure transactions tested were dated after the corresponding invoice dates.</p> <p>Risk</p> <p>Where purchase orders/internal requisition forms are not raised and authorised prior to purchases being made, there is a risk that the authorisation and commitment processes are by-passed which could result in inappropriate purchases and poor budgetary control.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>One invoice was missed by Finance Manager (CD)</p> <p>For another I issue a yearly PO after the 31st March (end of financial year) due to lock down I was late issuing the PO</p> <p>The third invoice was send to Peter Hill (premises manager for PAT) it was delayed in coming to THNS. Once received I was unable to use the original PO as it was deleted as part of</p>		Disagree – unable to follow usual processes due to COVID 19 lockdown	Head of Nursery	Immediately

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the end of year finance and therefore a new PO had to be created.

From now on I will ensure all POs are signed in accordance to the school finance policy and procedures

Audit Comment

Regardless of COVID-19, prior authorisation should have been sought and evidenced, for example using e-mail.

Priority	Recommendation 10	Detailed Finding/Rationale		
1	<p>All invoices should be approved for payment (in line with the School's Finance Policy and Procedures prior to being paid.</p> <p>Appendix 8 of the Finance Policy and Procedures should be amended to include the approval of invoices prior to these being paid.</p>	<p>Expected Control</p> <p>Section 8.8 of the School's Finance Policy and Procedures details that, '<i>The Nursery maintains a list of staff authorised to certify invoices for payment.</i>'</p> <p>Issue/Finding</p> <p>Examination of the documentation held for a sample of 13 non-pay expenditure transactions found that none of these there were evidenced as approved for payment.</p> <p>A gap was also noted within 'Appendix 8: Orders flow diagram' of the Finance Policy and Procedures document which does not include the step of certifying the invoices.</p> <p>Risk</p> <p>Where invoices are not certified, there is a risk that inappropriate payments may be made.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Each purchase made has at least four different signatures. Two different signatures on the initial requisition form (Head of Nursery & Exec Head) the information is then inputted on FMS and a purchase order is created and signed by finance officer. Invoice is received and payment cheque printed and invoice stamped to show that it matches the payment cheque. Cheque is then signed by two signatories (Head of Nursery and authorised signatory). We consider this to be sufficient and not a control risk, this has never been an issue on previous audits. We note that there is NOW a requirement to certify the invoices and as required we will start to do so.</p>		<p>Disagree that this is a control risk however agree to signing the invoices as suggested</p>	<p>Head of Nursery</p>	<p>Immediately</p>

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We will amend the flow diagram in the Finance Policy to include certifying the invoices.

Audit Comment

The invoice approval process is separate to the cheque payment process and therefore the signing of the cheque by two signatories does not constitute invoice approval.

Priority	Recommendation 11	Detailed Finding/Rationale		
2	The School should ensure that all goods and services are checked and that this check is evidenced on either the purchase order, goods received note (if provided) or the invoice.	<p>Expected Control</p> <p>Section 8.7 of the School’s Finance Policy and Procedures details that, ‘<i>Payment made promptly against actual invoices (see appendix 8). Checks should always confirm:</i></p> <p>a) <i>Receipt of goods or services, cross referenced to the order number.</i>’</p> <p>Appendix 8 in the Finance Policy and Procedures document also details that, ‘<i>Order contents are checked by receiving member of staff and passed back to office staff for liaison with supplier if any items are missing.</i>’</p> <p>Issue/Finding</p> <p>Examination of the documentation held for a sample of 13 non-pay expenditure transactions found that for five of these a goods received check was not evidenced.</p> <p>Risk</p> <p>Where a goods or service received check is not completed and evidenced, there is a risk that the School may not have received the correct goods or services.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Thermoserv and Graham James Building works were carried out or completed out of term time, 1st ace security completed their work however no job report was issued onsite due to their COVID19 procedures. CD tested the repair and saw visually the job was completed.</p> <p>Ecolab at the end of each visit they produce a report however he did not attend during the lockdown period. Once they had restarted their scheduled visits they did not complete their usual</p>		Unfair – during lockdown we were not allowed on site		

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paperwork on site due to their own COVID19 procedures.

Sovereign delayed delivery of the items on order, the item was delivered when a cleaning staff team were on site. No documentation was kept / evident when the front office team came on to the premises the following week. Cleaning team would not have known to look for this documentation on delivery/receipt of goods.

THNS will ensure that all goods/services are received and checked / signed off accordingly.

Audit Comment

Invoices should not be paid unless delivery of the goods or services (to the required quantity, quality, etc.) is confirmed. This is regardless of whether lockdown was in place or not.

Audit Area: Banking

Priority	Recommendation 12	Detailed Finding/Rationale		
2	The School should ensure that monthly procurement card reconciliations are conducted and evidenced in line with the Schools Finance Policy and Procedures.	<p>Expected Control</p> <p>The School's Finance Policy and Procedures details that, '13.4 Procurement card reconciliation. At the end of each month, the procurement card holder will pass the assembled transaction list for the month to the Nursery's procurement cards co-ordinator (Admin Officer) who, with the assistance of the financial advisor as required will reconcile with the charge issued by the bank and initiate any investigations as are necessary.'</p> <p>Issue/Finding</p> <p>Examination of the procurement card documentation provided for the period 3 June to 3 October 2020 found that there was no evidence of procurement card reconciliations being done.</p> <p>Risk</p> <p>Where procurement card reconciliations are not evidenced, there is a risk that these have not been conducted and that errors or omissions may have occurred.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Lisa (JCA) reconciles the procurement card on a monthly basis, the evidence of this shows as a journal every month on the bank statement. Clarity is needed from the auditors. If they are referring to a lack of signatures on the paperwork this is because we were working remotely at the time. JCA will now print and sign the documentation and scan it back to CD to be filed.		Disagree		
Audit Comment				

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A monthly journal does not evidence a reconciliation. Signature on the completed reconciliation will assign responsibility should any errors or omissions be detected.

4. Priority 3 Recommendations

Recommendation	Findings
<p>Area: Governance and Leadership</p> <p>1) The governor’s induction pack should be amended to include the latest budget plan for the School.</p>	<p>The School’s governors’ induction pack shared with us during the review did not include the latest budget plan for the School.</p> <p>Where the governors’ induction pack is incomplete, there is a risk that the Governors will not be aware of important aspects of the School and its governance.</p>
<p>Area: Banking</p> <p>2) Unreconciled items older than six months should be investigated and resolved.</p>	<p>Examination of the school’s unreconciled items list established that there were two unreconciled items dated more than six months ago.</p> <p>Where there are unreconciled items older than six months, there is a risk, where cheque payments are being made, that these will not be accepted by the bank.</p>

AUDIT TERMS OF REFERENCE

Thornton Heath Nursery School – 2020/21

1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2020/21, as agreed by the Council's Audit Committee.

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	1	2	1
Budgetary Control & Monitoring	0	2	0
Payroll	0	3	0

Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Safeguarding	0	0	0
Procurement	1	2	0
Banking	0	1	1
Information Governance	0	0	0
Health and Safety	0	0	0
Income	0	0	0
Totals	2	10	2

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.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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