

Final Internal Audit Report

Purley Nursery School

October 2022

Distribution: Head Teacher
Chair of Governors
School Business Manager
Interim Corporate Director, Children, Families and Education (Final Only)
Director of Education and Youth Engagement
Finance Manager
Corporate Director of Resources

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	4
	Priority 3	1

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This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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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 Purley Nursery is a Nursery School and at the time of audit with 80 pupils attending (verified by the Head of Nursery). It has an expenditure budget of approximately £612,160 for 2021/22.
- 1.2 The fieldwork for this review was completed during the government measures put in place in response to COVID-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.3 The audit was undertaken as part of the agreed Internal Audit Plan for 2021/22 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Recommendations

Only one reference was held by the School for one (a meal supervisor) of the three new starters sampled. **(Recommendation 1)**

Evidence of appropriate medical clearance was not provided by the School for any of the sample of three new starters. **(Recommendation 2)**

Examination of the supporting documents for a sample of 15 purchases found that six payments had purchase orders dated after the corresponding invoices. **(Recommendation 3)**

Examination of the completed 'Croydon Schools Health & Safety Questionnaire' by the School noted some 'red' and 'amber' status areas, which the School will need to address. **(Recommendation 4)**

Details of the Priority 3 recommendation are included under section 4 below.

Acknowledgement

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

- Head Teacher
- School Business Manager
- Finance and Personnel Officer

3. Actions and Key Findings/Rationale

Audit Area: Payroll

Priority	Recommendation 1	Detailed Finding/Rationale		
2	The School should ensure that at least two references are obtained for all future starters.	<p>Expected Control</p> <p>The 'Keeping Children Safe in Education 2021' document details that, '<i>The purpose of seeking references is to allow employers to obtain factual information to support appointment decisions. Schools and colleges should obtain references before interview, this allows any concerns raised to be explored further with the referee and taken up with the candidate at interview.</i>'</p> <p>Finding</p> <p>Only one reference was held by the School for one (a meal supervisor) of the three new starters sampled. As the individual started in January 2021 it is accepted that obtaining a second reference at this date will be of limited use.</p> <p>Risk</p> <p>Where at least two references are not obtained for new starters, there is a greater risk that appropriate safeguarding checks are not conducted.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline

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<p>Safer Recruitment training completed by Business administrator 08/07/21 to ensure safer recruitment standards are maintained in recruitment of staff at Purley Nursery School.</p> <p>Personnel Checklists have been issued for all staff and verified by Head of School, Executive Head Teacher, HR Consultant for Schools Croydon.</p> <p>Second reference has been collected in line with policy and procedure.</p> <p>All future new staff will not be able to start work until all references and checks have been carried out.</p> <p>Attached documents:</p> <ul style="list-style-type: none"> ● Evidence checklist ● re-worded employment offer letter 	<p>Agreed</p>	<p>Head of School / School Business Manager</p>	<p>Immediately</p>
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Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>Medical clearance for all new starters should be recorded and retained on the employee personnel file for future reference.</p>	<p>Expected Control</p> <p>The Education (Health Standards) (England) Regulations 2003, paragraph 6 (1) details that, 'A relevant activity may only be carried out by a person if, having regard to any duty of his employer under Part II of the Disability Discrimination Act 1995(3), he has the health and physical capacity to carry out that activity.' In this regard, the Council require medical clearance should be obtained for all new School staff as part of the pre-employment checks.</p> <p>Finding</p> <p>Evidence of appropriate medical clearance was not in place for any of the sample of three new starters.</p> <p>Risk</p> <p>Employees may not be fit to work, resulting in injury, legal sanctions, financial loss and reputational damage.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>All staff personnel files reviewed by Head of School, Executive Headteacher, HR Consultant for Schools Croydon. All staff have completed medical clearance documented in personnel files.</p> <p>All future all new staff employed will be issued with a reworded offer letter which highlights the conditional appointment of all satisfactory references, satisfactory Enhanced DBS disclosure and occupational health clearance.</p> <p>Attached documents:</p> <ul style="list-style-type: none"> Re-worded offer letter example 		Agreed	Head of School	Immediately

Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>The School should ensure that all purchase orders are appropriately authorised in line with the School's Finance Policy before committing to purchases.</p>	<p>Expected Control</p> <p>The School's Finance Policy and Procedures, section 8, details that, '<i>Official, pre-numbered orders from the schools' finance systems 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.</i>'</p> <p>Finding</p> <p>Examination of the supporting documents for a sample of 15 purchases found that the following six payments had purchase orders dated after the corresponding invoices:</p> <ul style="list-style-type: none"> • Day and Night Cleaning Service for £1,155, where the order was dated 24 April 2021, but the invoice was dated 25 March 2021. • LGfL for £4,054.82, where the order was dated 4 June 2021, but the invoice was dated 2 June 2021. • ADT Fire and Security for £698.24, where the order was dated 26 July 2021, but the invoice was dated 1 April 2021. • Strictly Education for £6035.80, where the order was dated 26 July 2021, but the invoice was dated 5 May 2021. • Assa Abloy Entrance Systems for £1,434.28, where the order was dated 6 August 2021, but the invoices were dated 14 January, 13 April and 5 August 2021. • JCA School Support for £5,994, where the order was dated 20 July 2021, but the invoice was dated 5 May 2021. <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>

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Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>Day and Night Cleaning Service - This is a service level agreement which accordingly to our finance policy D12: Orders entered as commitments on budget.</p> <p>When an order is placed, the estimated cost must be committed against the appropriate budget allocation so that it features in subsequent budget monitoring. The agreed exceptions to this are the regular payments that form part of Service Level Agreements and supply teacher costs providing they do not exceed the budget allocation agreed by governors.</p> <p>HoS will oversee initial budget commitment lists for each new financial school year to ensure that robust financial management is in place moving forward.</p> <p>Business administrators will liaise with Federation Partner Christ Church School for mentoring at the start of the financial year to ensure systems and procedures are up to standard.</p>	Agreed	Head of School	Immediately

Audit comment

While the comments in the response regarding service level agreements is generally accepted, the order for Day and Night Cleaning Service was almost a month after the corresponding invoice.

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Audit Area: Health and Safety

Priority	Recommendation 4	Detailed Finding/Rationale		
2	The checklist of the various responsibilities and duties under current health and safety legislation should be reviewed by the School with any identified gaps addressed as soon as possible.	<p>Expected Control</p> <p>The Health & Safety at Work Act 1974, its subordinate legislation, The Regulatory Reform (Fire Safety) Order 2005, Control of Asbestos Regulations 2012 and other related legislations, place responsibilities on School governing bodies for the appropriate management of building-related risks.</p> <p>Finding</p> <p>Examination of the completed 'Croydon Schools Health & Safety Questionnaire' by the School noted some 'red' and 'amber' status areas, which the School will need to address. Examples of the 'red' status areas included:</p> <ul style="list-style-type: none"> • 'Do the school's management have a Glazing risk assessment?' • 'Do the school's management have a Traffic Management Plan?' • 'Do the school's management have a risk assessment for any external powered vehicle or pedestrian gates?' <p>Risk</p> <p>The School is unable to safeguard employees, pupils and external visitors from harm, leading to personal harm, legal, reputational and financial risks.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>All outstanding risk assessments have been written and are pending approval by Governors scheduled at Health, Safety and Premises Committee meeting on 22.09.22.</p> <p>Health and Safety Questionnaire has been updated/ corrected - correct version updated and attached. All actions outlined in Health and</p>		Agreed	Head of School / School Business Manager	Immediately

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Safety Questionnaire are being followed up throughout and actioned accordingly.

-attached Health and Safety Questionnaire

4. Priority 3 Recommendation

Audit Area: Governance & Leadership

Recommendation 5	Findings
<p>The Purley Partnership Governing Body Handbook should be updated to include reference to the Croydon Scheme for Financing Schools, detailing that this should be complied with.</p> <p><u>Management Response:</u></p> <p>The Governing Body Handbook has been designed not to cite documents relating to specific areas i.e. finance, Health and Safety. Reference to Croydon Scheme for Financing Schools will be reviewed and included in the Purley Partnership Federation Finance Policy as outlined by Chair of Governors. Personnel and Finance Committee meeting will implement in next scheduled meeting on 28.09.22.</p>	<p>Expected control</p> <p>The Croydon Scheme for Financing Schools is a key document, which defines the respective roles and responsibility of the Council and any schools maintained by it. All governors of Croydon maintained Schools should be aware of and have read the Scheme.</p> <p>Finding</p> <p>Examination of the ‘Purley Partnership Governing Body Handbook’ noted that this did not make reference to Croydon Scheme for Financing Schools.</p> <p>Risk</p> <p>The governors are not adequately aware of their responsibilities, impacting on governance required to meet national and local requirements.</p>

AUDIT TERMS OF REFERENCE

Purley Nursery School – 2021/22

1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2021/22, 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	0	0	1
Budgetary Control & Monitoring	0	0	0
Payroll	0	2	0
Safeguarding	0	0	0





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Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Procurement	0	1	0
Bank Accounts	0	0	0
Information Governance	0	0	0
Health and Safety	0	1	0
Income	0	0	0
Totals	0	4	1

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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