

Final Internal Audit Report

Tunstall Nursery

October 2024

Distribution: Executive Head Teacher
Chair of Governors
School Business Manager
Corporate Director of Children, Young People and Education
Director Education
Head of Finance
Director of Finance (Deputy S151 Officer)
Corporate Director of Resources and S151 Officer

Assurance Level	Recommendations	
Limited	Priority 1	1
	Priority 2	6
	Priority 3	2

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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

Executive Summary

1. Introduction	3
2. Key Issues	4

Detailed Report

3. Actions and Key Findings/Rationale	5
4. Priority 3 issues	18

Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Recommendations
3. Statement of Responsibility

1. Introduction

- 1.1. This audit was undertaken as part of the Internal Audit Plan for 2023/24, as agreed by Croydon Council's (Council) Audit Committee.
- 1.2. For the 2024/25 academic year, Tunstall Nursery had 114 pupils and an expenditure budget of approximately £723,161. The Nursery's last Ofsted inspection was on 19 November 2019, where it achieved a 'outstanding' rating.
- 1.3. Tunstall Nursery holds a Service Level Agreement (SLA) with Park Hill Infant School that allows for the "provision of nursery school services" which includes sharing an Executive Headteacher. The SLA details that it should be reviewed "30 days before the end of the contract, in July, on a year-by-year basis".
- 1.4. Internal Audit identified that the Executive Headteacher SLA agreement was not evidenced as reviewed within the previous 12 months from the point of audit (May 2024). The School advised that the SLA was an agreement between the Local Authority and Park Hill Infant School, who were responsible for the management of the SLA which includes the required review.
- 1.5. Furthermore, examination of supporting documentation for a sample of 15 transactions utilised by the Nursery between May 2023 and May 2024 found that an official purchase order was not raised through the financial management system. The Nursery advised that this was due to the financial management system being outdated, with Nursery being unable to close purchases orders raised where a supplier has requested a direct debit payment. Internal Audit confirmed that a manual purchase order form was raised to demonstrate appropriate approval.

2. Key Issues

Priority 1 Issues

Examination of staff records for two new starters between May 2023 and May 2024 identified that for one of the starters, with a start date of 1 May 2023, the Right to Work check was completed after they commenced employment. **(Issue 4)**

Priority 2 Issues

Budget monitoring reports were presented on only four occasions between April 2023 to April 2024 to the full Governing Body and therefore, the Nursery were non-compliant with the SFVS requirement. **(Issue 1)**

A review of the Nursery's Finance Policy and Procedures document confirmed that this incorporated the Schools Financial Scheme of Delegation, which outlined the delegated financial thresholds. Therefore, Internal Audit would expect this to be reviewed annually.

However, examination of the full Governing Body meeting minutes from between May 2023 and May 2024 identified that the Finance Policy and Procedures document was not subject to an annual review. **(Issue 2)**

Examination of a sample of three-monthly payroll reports (February 2024, March 2024, and April 2024) identified that each report was approved by the Deputy Headteacher. However, the Finance Policy and Procedures (2022) detailed that payroll report should be signed by the Executive Headteacher. **(Issue 3)**

Examination of financial records held for a sample of 15 transactions from the School's Bank History Report from May 2023 to May 2024 identified:

- For three transactions, a goods/services received check was not completed (£162.73, £390.00 and £4,326.00).
- For one transaction, a goods/services received check completed before the purchase order was raised (£140.00). **(Issue 6)**

Examination of financial records held for a sample of 15 transactions from the School's Bank History Report from May 2023 to May 2024 identified that for one transaction, valued at £4,326, the corresponding invoice was authorised by a Deputy Headteacher; though they only had delegated financial authority to approve purchases to the value of £500. **(Issue 7)**

For the one contract let in the period in respect of cleaning (Burke and Clemens), three quotes were evidenced. However, it could not be established if the three quotes were presented to the full Governing Body as this was not formally documented within meeting minutes for the period of May 2023 to May 2024. **(Issue 8)**

The Priority 3 recommendation(s) is/are included under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 2: Budget Planning, Monitoring and Reporting

Priority	Recommendation 1	Detailed Finding/Rationale		
2	The Nursery should ensure that a budget monitoring report is presented to the full Governing Body at least six times per academic year, with this documented within meeting minutes to evidence compliance.	<p>Expected Control</p> <p>The Schools Financial Value Standard (SFVS) question three asks whether a budget monitoring report has been presented to the Governing Body at least six times per year academic year.</p> <p>Finding/Issue</p> <p>Examination of the full Governing Body (FGB) meeting minutes from between April 2023 and April 2024 identified that budget monitoring reports were only presented on four occasions. Therefore, the Nursery were non-compliant with SFVS requirements.</p> <p>Risk</p> <p>The FGB fail to meet their responsibilities for the financial management of the Nursery and are non-compliant with the SFVS.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
From September 2024 we will be having two additional meetings per year, specifically for budget monitoring to ensure we are compliant with SFVS.		Agreed	Chair of Governors	September 2024

Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>The Nursery should ensure that the policy documents outlined within the Detailed Finding are presented and approved at the next Full Governing Body meeting.</p> <p>Approval should be documented within meeting minutes to evidence compliance, with subsequent policy approvals completed annually.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 states that the Governing Body “<i>should develop and maintain a scheme of delegation to define explicitly at which level each of its functions will be exercised</i>”, with this subject to an annual review.</p> <p>Finding/Issue</p> <p>A review of the Nursery’s Finance Policy and Procedures document confirmed that this incorporated the School’s Financial Scheme of Delegation, which outlines the delegated financial thresholds. Therefore, Internal Audit would expect this to be reviewed annually.</p> <p>However, examination of the FGB meeting minutes from between May 2023 and May 2024 identified that the Finance Policy and Procedures document was not subject to an annual review.</p> <p>Risk</p> <p>Where Finance Policy and Procedure document is not subject to annual review, there is a risk that the Nursery are non-compliant with the information contained is outdated or inaccurate and does not align to the current practices of the Nursery. This in turn could lead to staff being unaware of desired controls to be followed.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline

The Finance Policy will now be reviewed annually to ensure compliance.	Agree	School Business Manager	November 2024
--	-------	-------------------------	---------------

Control Area 3: Payroll

Priority	Recommendation 3	Detailed Finding/Rationale		
2	The Nursery should review and amend the Finance Policy and Procedures Manual (2024) and ensure that this reflects the current working practice; which includes Deputy Headteacher’s delegated authority to approve monthly payroll reports in the absence of the Executive Headteacher.	<p>Expected Control</p> <p>The Nursery’s Finance Policy and Procedures Manual (2024) details “<i>The Finance/Administrative Officer checks the Financial Information System (FIS) sheets received from the payroll bureau against the budget, weekly time sheets and additional salary claims for monthly staff and notifies the payroll bureau in writing of any errors. The Executive Headteacher reviews and signs the FIS sheets once they have been checked by the Finance/Administrative Officer.</i>”</p> <p>Finding/Issue</p> <p>Examination of the payroll reports from the previous three months (February 2024, March 2024, and April 2024) identified that each report was approved by the Deputy Headteacher. Therefore, the Nursery were not compliant with the with Finance Policy and Procedures Manual (2024) which details that payroll report should be signed by the Executive Headteacher.</p> <p>Risk</p> <p>Non-compliance with the Nursery’s Financial Policy and Procedures Manual (2024) which could result in a risk of inappropriate payments or errors with staff salaries. This in turn could result in loss of funds and reputational damage.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The Deputy Headteachers (DHT) deputises on behalf of the Executive		Agree	School Business Manager	November 2024

Headteacher (EHT on site one day a week). The DHT job descriptions state that they *“deputise and undertake overall responsibility for the school in the absence of the Headteacher and on any other occasions which are deemed necessary”*.

The DHTs have responsibility for the day to day running of the school / staff, due to this they have a deeper knowledge of staff pay / hours, it is therefore less of a risk for the DHT’s to sign this.

For clarity we will amend the Finance Policy and Procedures Manual to state *The Deputy Headteacher’s, as delegated by the Executive Headteacher, review and sign the FIS sheets once they have been checked by the Finance/Administrative Officer.”*

Priority	Recommendation 4	Detailed Finding/Rationale		
1	The Nursery should ensure a Right to Work check is completed for each proposed new starter prior to the offer of employment issued.	<p>Expected Control</p> <p>The UK Government’s Employer’s guide to Right to Work checks (2024) states that the Nursery <i>"must conduct a right to work check before you employ a person to ensure they are legally allowed to do the work in question for you"</i>.</p> <p>Finding/Issue</p> <p>Examination of the New Starters report generated from the SIMS financial management system for the period May 2023 to May 2024 identified two starters in the period. Examination of staff records for these two starters identified that for one, with a start date of 1 May 2023, the Right to Work check was completed after they commenced employment, i.e. on 20 June 2023</p> <p>Risk</p> <p>Where an employee’s Right to Work in the UK is not evidenced prior to employees starting work, there is a risk of the Nursery being subject to a fine from the UK Government of up to £60,000 (The Immigration (Employment of Adults Subject to Immigration Control) (Maximum Penalty) (Amendment) Order 2024).</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
This was an oversight and not a regular occurrence. These checks are usually completed before an offer of employment. In future we will ensure this is consistently completed at the recruitment stage.		Agree	School Business Manager	Immediate effect

Control Area 4: Procurement

Priority	Recommendation 5	Detailed Finding/Rationale		
2	The Nursery should ensure that an independent goods/services received check is completed by an officer independent to the authorisation of the official purchase order and invoice. This should be formally documented and retained by the Nursery to evidence compliance.	<p>Expected Control</p> <p>The Nursery’s Finance Policies and Procedures Manual (2024) details that the Finance/Administrative officer should check deliveries against the relevant order and evidence the check of goods on the copy order. Officers checking goods received by the Nursery should be independent of the person responsible for the administration of orders and payments.</p> <p>Finding/Issue</p> <p>Examination of financial records held for a sample of 15 transactions from the School’s Bank History Report from May 2023 to May 2024 identified:</p> <ul style="list-style-type: none"> - For three transactions, a goods/services received check was not evidenced as completed (£162.73, £390.00 and £4,326.00). - For one transaction, a goods/services received check was completed before the purchase order was raised (£140.00). <p>Risk</p> <p>Where an independent goods/services received check is not completed prior to the payment of the corresponding invoice, there is a risk that the Nursery may provide payment for goods or services that have not been received or items which were received in an unfit condition. This in turn could result in financial loss for the Nursery.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline

<ul style="list-style-type: none"> - For three transactions, a goods/services received check was not evidenced as completed (£162.73, £390.00 and £4,326.00). - However, these were all services rather than goods. In future the school endeavour to ensure that a member of staff confirms that the service has been received by stamping, dating and signing the purchase order or invoice with 'received'. <p>For one transaction, a goods/services received check was completed before the purchase order was raised (£140.00).</p> <ul style="list-style-type: none"> - This was a call out to attend to a faulty gate. It was a Friday afternoon and the SBM had left before the works were completed so the PO was produced on Monday morning. 	<p>Agree</p>	<p>School Business Manager</p>	<p>Immediate effect</p>
---	--------------	--------------------------------	-------------------------

Priority	Recommendation 6	Detailed Finding/Rationale		
2	The Nursery should review and amend the Finance Policy and Procedures Manual (2024) and ensure that this reflects the current working practice; which includes Deputy Headteacher's delegated authority to approve monthly payroll reports in the absence of the Executive Headteacher.	<p>Expected Control</p> <p>The Nursery's Finance Policy and Procedures Manual (2024) states that the maximum authorisation limit for cost centre managers, including the Deputy Headteacher, is £500.</p> <p>Finding/Issue</p> <p>Examination of financial records held for a sample of 15 transactions from the School's Bank History Report from May 2023 to May 2024 identified that for one transaction, valued at £4,326, the corresponding invoice was authorised by a Deputy Headteacher who only held delegated financial authority to approve purchases to the value of £500.</p> <p>Risk</p> <p>Where payment of invoices is not authorised at the appropriate level there is a risk that the Nursery will make inappropriate payments which could result in the loss of public funds and reputational damage.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The DHT deputise on behalf of the Executive Headteacher (EHT on site one day a week). The DHT's job descriptions state that they " <i>deputise and undertake overall responsibility for the school in the absence of the Headteacher and on any</i>		Agree	School Business Manager	November 2024

other occasions which are deemed necessary”.

The DHT's have responsibility for the day to day running of the school.

For clarity the policy will be amended and reviewed to show that the DHT's can authorise invoices above £500, as delegated by the Executive Headteacher as she is not present on site daily.

Priority	Recommendation 7	Detailed Finding/Rationale
2	<p>For purchases with a value over £5,000, the Nursery should ensure three quotes from alternative suppliers are obtained and presented to the FGB for oversight and scrutiny.</p> <p>Copies of the three quotes should be retained, with the discussion from the FGB formally documented within the meeting minutes to evidence compliance.</p>	<p>Expected Control</p> <p>The best value statement included in Appendix 5 of the Nursery’s Finance Policy and Procedures Manual (2024) <i>states “governors need to secure the best possible outcome for children, in the most efficient and effective way, at a reasonable cost. This will lead to continuous improvement in the school’s achievements and services.”</i> To achieve this, the Governing Body should have the opportunity to scrutinise quote received for high value transactions in line with the Nursery’s Finance Policy and Procedure (2024).</p> <p>The School Governance (Roles Procedures and Allowances) (England) Regulations 2013 Paragraph 13 states <i>“The clerk to the governing body (or the person appointed to act as clerk for the purpose of the meeting must ensure that minutes of the proceedings of a meeting of the governing body are drawn up and signed (subject to the approval of the governing body) by the chair at the next meeting.”</i></p> <p>Finding/Issue</p> <p>Examination of the Nursery’s list of current contracts included in the Nursery’s Finance Policies and Procedures Manual (2024) identified that the cleaning contract (supplier Burke and Clemens) was assessed for best value between May 2023 and May 2024. The Nursery provided evidence of three quotes for this; however, evidence of the three quotes being presented to the FGB was not available as this was not formally documented within meeting minutes for the period of May 2023 to May 2024.</p> <p>Risk</p>

	Where the FGB do not challenge contracts prior to their renewal there is a risk that they will choose to extend the contract which may no longer provide same value to the Nursery that it did when it was initially assessed for best value.		
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
Going forward purchases over £5,000, three quotes will be shared with governors and documented in the minutes.	Agree	School Business Manager School Clerk	Immediate effect

4. Priority 3 Issues

Recommendation	Findings
<p><u>Control Area 2: Budget Planning, Monitoring and Reporting</u></p> <p>The Nursery should ensure that the SLT benchmarking report generated from the Department for Education comparison tool is presented at the next FGB meeting to provide sufficient oversight, with this documented within meeting minutes to evidence compliance.</p> <p>Subsequent examinations of the SLT benchmarking report by the FGB should be completed annually.</p> <p>The Nursery should ensure that areas for improvement are identified from the benchmarking charts.</p> <p><u>School's response</u></p> <p>The individual nature of Maintained Nursery School's across the borough and country, means that benchmarking is not a particularly useful tool. This is due to varying arrangements (links with other schools, children's centre's, additional hours etc). Target setting from benchmarking will not be useful of beneficial for the Nursery due to the unique nature</p>	<p>Expected Control</p> <p>The Schools' Financial Value Standard question 18 asks “<i>Does the School benchmark its income and expenditure and investigate further where any category appears to be out of line?</i>”</p> <p>The Nursery's benchmarking report should incorporate areas for improvement or related targets.</p> <p>Finding/Issue</p> <p>Examination of the FGB meeting minutes from 2023 to May 2024 confirmed that the Nursery's most recent Department for Education financial benchmarking report, for the financial year 2022/2023, had been presented. However, this benchmarking did not include any senior leadership team (SLT) benchmarking and further examination identified that areas for improvement or targets to help achieve improvement were not included.</p> <p>Risk</p> <p>Where the Nursery does not set targets for improving expenditure in categories of spend identified by the benchmarking exercise as appearing out of line, there is a risk that the Nursery fails to demonstrate value for money.</p>

Recommendation	Findings
<p>of our setting. We do look at ways to further improve our financial situation – this is minuted and discussed with FGB.</p> <p>We have in the past included SLT in benchmarking and will ensure this is completed in the future.</p> <p><u>Responsible Officer:</u> School Business Manager and Clerk</p> <p><u>Deadline:</u> March 2025</p>	
<p><u>Control Area 5: Banking</u></p> <p>The Nursery should review and amend the Finance Policy and Procedures Manual (2024) and ensure that this reflects the current working practice; which includes Deputy Headteacher’s delegated authority to approve monthly payroll reports in the absence of the Executive Headteacher. <u>School’s response</u></p> <p>The DHT’s deputise on behalf of the Executive Headteacher (EHT on site one day a week). The DHT job descriptions state that they “<i>deputise and undertake overall responsibility for the school in the absence of the Headteacher and on any other occasions which are deemed necessary</i>”.</p>	<p>Expected Control</p> <p>The Nursery’s Finance and Procedures (2024) details that the monthly bank account reconciliations should be completed by the Finance or Administrative Officer and reviewed by the Executive Head Teacher.</p> <p>Finding/Issue</p> <p>Examination of the monthly bank reconciliations for February, March and April 2024 identified that they were reviewed by one of the Deputy Headteachers.</p> <p>Risk</p> <p>Where bank reconciliations are not reviewed by the appropriate member of staff there is a risk on inaccuracies being missed in the review process. This in turn could result in errors in income reporting and potential tax penalties.</p>

Recommendation	Findings
<p>The DHT's have responsibility for the day to day running of the school.</p> <p>For clarity the policy will be amended and reviewed to show that the DHT's can review monthly bank account reconciliations as delegated by the Executive Headteacher as she is not present on site daily.</p> <p><u>Responsible Officer:</u> School Business Manager</p> <p><u>Deadline:</u> November 2024</p>	

AUDIT TERMS OF REFERENCE

Tunstall Nursery 2023/24

1. INTRODUCTION & BACKGROUND

- 1.1 This audit is being undertaken as part of the Internal Audit Plan for 2023/24, as agreed by the Council's Audit Committee.
- 1.2 We are adopting a hybrid approach with this audit initially being conducted remotely.

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 It is intended that the following areas will be examined:





- Governance and Leadership
- Budgetary Control, Monitoring and Reporting
- Payroll
- Procurement
- Banking
- Information Governance
- Income
- School Fund Accounting

Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance and Leadership	0	0	0
Budget Planning, Monitoring and Reporting	0	2	1
Payroll	1	1	0
Procurement	0	3	0
Banking	0	0	1
Information Governance	0	0	0
Income	0	0	0
School Fund Accounting	0	0	0
Totals	1	6	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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299.