CROYDON

Final Internal Audit Report
Purley Nursery School
December 2017

Distribution: Executive Head Teacher / Head of School
Chair of Governors
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: Improved from Limited	Priority 1	0
		Priority 2	2
		Priority 3	2

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1. Terms Of Reference
2. Definitions For Audit Opinions And Recommendations

1. Introduction

1.1. At the time of audit Purley Nursery School had 95 pupils attending. It has an expenditure budget of approximately £0.6m for the current financial year.

1.2. The School had a carried forward budget deficit from 2016/17 of £12,816 and the 2017/18 quarter 2 statement of income and expenditure forecasts a year end deficit of £21,104. It should; however, be noted that the maintained schools early years funding lump sum for 2017/18 has not yet been agreed and, as such, the School's income for the year has not all been confirmed.

1.3. The audit was undertaken as part of the agreed Internal Audit Plan for 2017/18 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Recommendations and Issues

Priority 2 Issues
The School submitted its SFVS self-assessment to Croydon Council on 5 April 2017, missing the due date of 31 March **(Rec 1)**.
Sample testing identified four transactions where the orders had been raised after the date and receipt of the corresponding invoices **(Rec 2)**.

The 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:

- Executive Head Teacher
- Head of School
- Administrative Officer

3. Actions and Key Findings/Rationale

Audit Area: Governance

Priority	Recommendation 1	Detailed Finding/Rationale		
2	The School's completed SFVS self-assessment must be sent to the Local Authority by 31 March annually.	**Expected Control** The DfE Schools Financial Value Standard (SFVS) requires that each school must send a copy of their signed assessment against the standard to their Local Authority's Finance Department by 31 March each year. **Issue/Finding** The School submitted its SFVS self-assessment to Croydon Council on 5 April 2017. (Five days after the specified deadline.) **Risk** If a school does not submit its signed SFVS self-assessment to the Local Authority by 31 March annually, the school has to be named in the return submitted to the DfE, which may cause reputational damage.		

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
Although the SFVS had been discussed and agreed at a Full Governing Body Meeting on 22 March 2017, an administrative error resulted in late submission to the Local Authority. The Admin Officer is very aware of deadlines and endeavours to respond in good time and will continue to do so.	Agreed	Administrative Officer	Ongoing

Audit Area: Procurement

Priority	Recommendation 2	Detailed Finding/Rationale
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.	**Expected Control** The School's Financial Policy and Procedures Manual section '6.5 Purchase Orders' details that, 'Written, pre-numbered orders are used for all goods and services' and in section '6.6 Receipt of Goods" it details that, 'The Admin Officers receive the delivery note and checks the delivery against the order.' **Issue/Finding** Examination of the documentation relating to a sample of fifteen transactions identified that in four instances the orders had been raised subsequent to the corresponding invoices being received by the School. **Risk** 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.

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
The Administrative Officer will continue to endeavour to raise purchase orders before invoices are received. She has noted the advice that it is useful to raise purchase orders at the beginning of the financial year for annual contracts due even if the exact cost is not known.	Agreed	Administrative Officer	Ongoing

4. Priority 3 Recommendations

Recommendation	Findings
1) The New Governor Induction pack should include the Croydon Scheme for Financing Schools, the School's delegation of authorisation levels, the School's 2017/18 Budget, the Governor's Guide to School Governance and a list of training available for Governors.	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. Examination of the New Governor Induction pack indicated that this did not include: The Croydon Scheme For Financing Schools, the School's delegation of authorisation levels, the School's 2017/18 Budget, the Governor's Guide to School Governance or a list of training available for Governors.
2) Copies of documents obtained as part of the recruitment process 'right to work in the UK verification checks' should be marked 'Original seen'.	The advice on the GOV.Uk website states that, 'You must check that a job applicant is allowed to work for you in the UK before you employ them. You must see the applicant's original documents. You must check that the documents are valid with the applicant present. You must make and keep copies of the documents and record the date you made the check. You could face a civil penalty if you employ an illegal worker and haven't carried out a correct right to work check.' Examination of the documents relating to a recent staff appointment established that, although evidence of 'right to work in the UK' checks in the form of copies of passports being retained was available and was signed and dated, this document was not marked "Original seen" to confirm that the original copies of the documents were seen.

Agreed Terms of Reference

Purley 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	1	1

Budgetary Control & Monitoring	0	0	0
Payroll	0	0	1
Safeguarding	0	0	0
Procurement	0	1	0
Bank Accounts	0	0	0
Information Governance	0	0	0
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.