

Final Internal Audit Report

Crosfield Nursery School and Children's Centre

June 2020

Distribution: Executive Head Teacher
Chair of Governors
Executive Officer
Executive Director, Children, Families and Education (Final Only)
Director of Education and Youth Engagement (Final Only)
Director of Finance, Investment and Risk and S151 Officer (Final Only)

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

Confidentiality and Disclosure Clause

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 Crosfield Nursery School and Children’s Centre is a nursery school for boys and girls aged between 2 and 5 years old. At the time of audit there were 123 pupils attending and the School had an expenditure budget of approximately £1.05m for 2019/20. The 2019/20 budget forecasts an estimated year end cumulative deficit of £34,001.
- 1.2 The audit was undertaken as part of the agreed Internal Audit Plan for 2019/20 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 Two of the issues identified in this audit report would normally be considered significant; however, due to the efforts of the School to remedy these, these have been reported as priority 2 recommendations. Should these not be resolved in a timely manner and be identified in future audits, these will be rated as significant.

Priority 2 Recommendations
The Executive Head Teacher’s 2018/19 appraisal had not been carried out by the 31 December 2019 deadline., (Recommendation 1)
A DBS check for a Governor appointed in April 2019 had still not yet been completed at the time of audit. (Recommendation 2)
The School had not carried out a financial benchmarking exercise as required by the School Financial Value Standard (SFVS). (Recommendation 3)
The School did not have an information asset register in place, although it was developing one at the time of audit. (Recommendation 4)

Priority 3 recommendations are included under item 4 below.

Acknowledgement

We would like to thank the Head Teacher and the Executive Officer for their time and contribution to this audit:

2. Actions and Key Findings/Rationale

Audit Area: Payroll

Priority	Recommendation 1	Detailed Finding/Rationale		
2	<p>The Executive Head Teacher appraisal should be progressed as a priority.</p> <p>Thereafter, Governors should ensure that the Executive Head Teacher is appraised annually before 31 December each year.</p>	<p>Expected Control</p> <p>The Education (School Teachers' Appraisal) (England) Regulations 2012, specify that the performance of the Head Teacher must be annually reviewed. The School's Teacher Appraisal Policy details that, '<i>The teacher will receive as soon as practicable following the end of each appraisal period – and have the opportunity to comment in writing on – a written appraisal report. In this school, teachers will receive their written appraisal reports by 31 October (31 December for the Executive Head teacher).</i>'</p> <p>Issue/Finding</p> <p>The Executive Head Teacher's 2018/19 appraisal had not taken place by the 31 December 2019. It was explained that the two previous external consultants previously engaged by the School had both retired recently and that the Governing Body was seeking to secure an external consultant with the breadth of experience who could appraise the Executive Head teacher against a full range of responsibilities for Early Years provision. The Chair of Governors was seeking to have this in place by the end of February 2020.</p> <p>Risk</p> <p>Where performance reviews are not undertaken in line with set guidelines there is a risk that any instances of poor performance may not be identified in a timely manner.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Governors work very closely with the Executive Head Teacher and are conversant with the quality of the strategic and operational leadership. Both of the Nursery Schools have		The relevant policy, detailing the approach taken for those on the Leadership scales, is a	Chair of Governing Board	The appraisal process was completed on Thursday 20 th February 2020. Both the mid-point and year end

<p>had Ofsted inspections within the period December 2018 – January 2019 and the outcomes for Leadership and Management were assessed as Good. The change in approach for this appraisal, was driven by the recommendation to make the appraisal process part of the organisational transformation journey. Weaknesses in the previous appraisal process had been identified with a resolve to move forward with a robust approach that would provide assurances to governors on the rigour of the challenge, the effectiveness of performance against the requisite areas and the breadth of the individual to lead the Federation through a period of significant change and agreed and actioned. A slight delay was incurred whilst the Chair of Governors sought to secure the services of an appropriately experienced consultant, who had a clear understanding of the broader service provision. In order to make the process effective, the view taken was that a slight delay in completing the appraisal process presented less of a risk to the organisation than proceeding with an ineffective process. This assurance was underpinned by the working arrangements between the Executive Head teacher, the control points and measures in place, were sufficient to mitigate the risk of poor performance whilst the right resource was secured and key dates agreed. The risk of this delay was factored into this process.</p>	<p>model policy from Octavo, our HR provider. It is noted that the policy had not been amended to reflect that for the 2019-20 academic year the Governing Board had agreed to extend the deadline in respect of the Executive Head Teachers performance appraisal and that this was a management oversight. Steps have been taken to ensure that the agreed approach can be completed annually in accordance with the prescribed deadline of 31 December.</p>		<p>reviews have been agreed and committed to diaries.</p>
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Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>The outstanding DBS check for the identified governor should be progressed as a matter of urgency.</p> <p>DBS checks for all future governors must be within 21 days after his or her appointment or election.</p>	<p>Expected Control</p> <p>The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 makes Disclosure Barring Service (DBS) checks mandatory for governors in maintained schools. It states ‘16A.— (2) <i>Where a governor is elected or appointed on or after 1st April 2016 and does not hold an enhanced criminal record certificate, the governing body must apply for such a certificate in respect of that governor within 21 days after his or her appointment or election.</i></p> <p>DBS checks are only portable if the position field and workforce type on the certificate match that of the applicant’s new role and where there has not been a break of more than 30 days between employments.</p> <p>Issue/Finding</p> <p>A DBS check for a governor appointed in April 2019 had still not yet been completed at the time of audit. Discussion with the Executive Head Teacher established that the governor was a Councillor for the Local Authority. However, DBS checks are not portable between roles and the DBS for their role as a governor should have been obtained when they were appointed.</p> <p>Risk</p> <p>Where DBS checks are not conducted as required, the School is in breach of the School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>The DBS process was conducted in accordance with the regulations and commenced when the governor was first appointed. The majority of the documentary evidence required was submitted as part of this initial work. The unprecedented delay in completing the process, as was explained as part of the audit, was due to her being unable to provide the required documentation to complete the process. The</p>		<p>We believe that we have a robust control system in place that ensures day to day compliance with our Safeguarding duties. In this instance the rigour of this process was clearly not effective as we had managed the risk, in part,</p>	<p>Executive Officer</p>	<p>The DBS disclosure was issued on 11/02/2020.</p>

<p>school administrator chased this at frequent intervals in order to process to completion. There was no point where the governor had unsupervised access to children or any sensitive data.</p>	<p>through a working assumption that a DBS was in place with Croydon Council. Whilst we acknowledge that a DBS is not portable across organisations, as a maintained school, Croydon Council are our overarching body. We had considered that the role of Governor and Local Councillor could be deemed comparable for Safeguarding purposes in this instance. Since the audit, we have further reviewed our Single Central Record procedures in order to ensure that additional safeguards are in place to avoid any recurrence.</p>		
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Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale		
2	The School should benchmark against other nursery schools with regards to senior leadership, income and expenditure.	<p>Expected Control</p> <p>The SFVS asks in questions 16 and 17 whether the School has carried out benchmarking exercises annually for its senior leadership team, income and expenditure to similar schools. The SFVS support notes on the Department for Education website explains that, <i>'Benchmarking is a process for comparing income and expenditure in detail with that of similar schools to consider whether and how your school can use resources better and identify where changes can be made.'</i></p> <p>Issue/Finding</p> <p>Discussion with the Head Teacher and the School Business Manager established that the School had not carried out a benchmarking exercise due to the fact that it was felt that nationally all nursery schools operate very different services, and this is the case for the five nursery schools in Croydon. Governors agreed that there would be limited value in undertaking the benchmarking exercise, as detailed in the SFVS, given that there are no models that are directly comparable to Crosfield.</p> <p>Notwithstanding benchmarking is a requirement of the SFVS and considering the School's deficit financial position at the beginning of the year, the School needs to explore all avenues to increase income and reduce costs.</p> <p>Risk</p> <p>Where the School does not carry out and review the benchmarking exercise, there is an increased risk that the School has not identified any areas within the School that need improvement and this remains unrecognised.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
As noted in the report, the limited value of the benchmarking exercise was discussed as part of the audit fieldwork, detailed in the SFVS return for 2019-20 and discussed as part of the licence deficit request. All maintained nursery schools		We agree that a benchmarking process, can be a valuable exercise in determining areas for improvement and	Executive Head Teacher / Executive Officer	In order to meet the expectations of the 2020-21 SFVS and the licence deficit process, governors will undertake a

<p>have to be funded as part of the Early Years National Single Funding Formula (EYNFF) which was introduced in 2017 to provide equity across the Early Years Sector. The current rate for 3&4 year olds is £ 4.65 per child per hour for 570 hrs per academic year and £ 5.66 per hour for 570 hrs for 2 year olds. A further supplementary fund is provided through DSG which in 2019-20 was in the region of £ 105k (A reduction of £ 60k from 2018-19). The Federation run the only two nursery schools in Croydon that are independent to a host primary school or academy. We have high occupancy levels and maximise the numbers of children that we can physically accommodate, as such there are limited opportunities to influence our income levels. Unlike other early years settings, maintained nursery schools are required to employ qualified teachers which significantly increase costs. Nursery schools must work within high levels of adult: child ratios of a minimum of 1:13 for 3 & 4-year-old children and 1:4 for 2-year olds. Children on roll in the Nursery Schools are likely to be those that are more educationally and/or socially vulnerable and higher levels of adult to child ratios are required. On this basis there are very limited opportunities to reduce front line staff costs. Where possible we share staff across our Federation in order to manage down the need for agency staff, however we have experienced unprecedented levels of long-term sickness absence this year. In addition, we have adopted greater flexibility across our leadership and back office teams. The wider services that we are contracted by Croydon Council to deliver, provide opportunities to defray core costs in order to</p>	<p>confirming areas that are well managed. Both locally and nationally, nursery schools have experienced significant changes due to the way in which they are funded. They will have variable roll numbers and the EYNFF differs significantly across boroughs. This can make identifying like for like provisions to benchmark against problematic, but not insurmountable. We acknowledge that the focus of this exercise allows the school to consider whether and how the school can use resources better and where changes can be made. As demonstrated in our management response, over the last year we have taken steps to consider high cost areas and how to best manage these down and improve our deficit position. We will continue to review other areas of significant spend. It is our view that we have saturated our physical space and as such there are very limited opportunities to increase</p>		<p>benchmarking exercise in order to provide reassurance that we have considered all opportunities to manage our financial position. It is our intention to use the services offered by our schools finance support (JCA) to provide expertise and independence in respect of this process and to ensure that in analysing the benchmarking results account is taken for differences in the organisations.</p>
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<p>manage the overall expenditure. There has been significant uncertainty with these contracts over the last 18 months and we are still awaiting clarification from the Council as to their plans beyond 31/08/2020. It should be noted that no increase to the 2016 contract rates have been applied over the life of the contract whereas costs have increased significantly. We have had a spend moratorium in place over the last year and only essential expenditure for educational consumables are purchased. We have been exploring high cost areas such as ICT to ensure that we are gaining maximum value from current contract arrangements. All non-essential expenditure such as subscriptions and memberships have been ceased and we continue to pursue other savings. Due to previous investment in upskilling our site manager we are now able to manage many building services tasks competently, in house.</p>	<p>our income base. We continue to be proactive in our approach with Croydon Council in raising the sustainability issues for Maintained Nursery Schools with them. We have a comprehensive organisational risk register in place and reviewed by the governing board on a monthly basis. As part of our transformation we will be taking a forensic approach to budget setting which will explore how other comparable schools are approaching the sustainability challenge.</p>		
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Information Governance

Priority	Recommendation 4	Detailed Finding/Rationale		
2	The development of the IAR should be progressed as a matter of urgency. Once complete, this should be used to inform reviews of consent and information retention.	<p>Expected Control</p> <p>Under Article 30 of the General Data Protection Regulation (GDPR) each data controller and, where applicable the controller’s representative needs to maintain a record of processing activities under its responsibility. These records must be in writing or electronic form. The controller must make the record available to the Information Commissioners Office (ICO) on request. Under the Data Protection Act (DPA) 2018 and GDPR, the Information Commissioners Office (ICO) may fine an organisation for non-compliance.</p> <p>The Information Asset Register (IAR) is one method of demonstrating compliance with Article 30. An IAR is an inventory or catalogue of information assets and the systems used. By understanding the nature of information, where it is held, how it is used, and if it is protected risks can more easily be mitigated.</p> <p>Issue/Finding</p> <p>The School did not have an IAR, but was developing one at the time of audit.</p> <p>Risk</p> <p>Where the School does not hold an IAR, there is a risk that the information held and how it is collected and used is not properly understood which may result in data breaches occurring. There is also a risk that the School is fined by the ICO for non-compliance.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
As discussed as part of the audit fieldwork we are progressing this requirement as a priority in order to fully discharge our responsibilities in respect of Information Governance. We do have systems and processes in place to manage this risk whilst V1 of the IAR is being completed		Agreed	Executive Officer	30/04/2020

Priority 3 Recommendations

Recommendation	Findings
<p>1) A record of satisfactory medical checks should always be obtained for any future staff employed before the date of employment.</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(1), he has the health and physical capacity to carry out that activity.' In this regard, medical checks are required to be conducted for school staff appointments.</p> <p>Examination of the documentation held for a sample of three new starters established that a record of satisfactory medical checks was not held for one of the staff. It should be noted that the School had, upon being notified of this omission at the time of audit, immediately requested and obtained the medical check from the member of staff.</p> <p>Where satisfactory medical checks are not obtained for new starters, the School is in breach of the Education (Health Standards) (England) Regulations 2003 and there is a risk that these individuals may not have the required health and physical capacity for their roles.</p> <p>Management Response</p> <p>Medical clearance is part of our standard clearance process, and we note that this was an isolated incident. Our systems have been reviewed in order to avoid this position recurring when a volunteer is successfully recruited (through a properly managed recruitment process) into an employed role.</p>
<p>2) The Head Teacher should acknowledge any resignations in writing.</p>	<p>Examination of the documents held for the sample of three staff leavers, established that in two instances, although a letter of resignation was received by the School from each leaver, there was no acknowledgement of the leaving dates by the Head Teacher.</p> <p>Where resignations are not acknowledged in writing and the final day of service confirmed, there is an increased risk that the final leaving date may be disputed.</p> <p>Management Response</p> <p>Acknowledging resignations is part of our standard process, and we note that this was an isolated incident where a verbal acknowledgement had been deployed. Our</p>

Recommendation	Findings
	<p>recollection is that it was one incident where a formal letter had not been issued rather than two, as noted above</p>
<p>3) The Business Continuity Plan should be regularly reviewed, preferably on at least an annual basis.</p>	<p>It is good practice to regularly review the School's Business Continuity Plan.</p> <p>The Schools Business Continuity Plan was last reviewed in 2017.</p> <p>Where the Business Continuity Plan is not regularly reviewed, there is an increased risk that appropriate actions are not carried out, as staff may be following processes and information that are out of date.</p> <p>Management Response</p> <p>The Business Continuity Plan that was in place in the previous audit (February 2018) specified a review period of three years. This plan had been approved by the governing board and by commissioners at Croydon Council as part of our contract arrangements. No significant changes to day to day service delivery had occurred in the intervening period and as such the plan would not have been due for review until later in 2020 at a point that would coincide with contract changes. Clearly a robust, current Business Continuity Plan is essential in situations such as the current COVID-19 crisis. As part of managing the organisations response to this very real event, we will be further reviewing and updating the BCP using lessons learned during the lockdown period and service closures to best inform the revised plan. Approval for the updated plan will be sought from the governing board when they next convene</p>
<p>4) The laptop loan forms should be are circulated to all staff who have loaned a laptop and the signed forms returned.</p>	<p>In accordance with the requirements of Keeping Your Balance, Standards for Financial Management in School's standard M4, '<i>Whenever school property, for example musical instruments or computers, is taken off the school site it should be signed for and a register noted accordingly.</i>' In this regard, the School should maintain loan forms or a loan register.</p> <p>Discussion with the School's Executive Officer, Business Management and Organisational Transformation established that no formal laptop loan documents are used by the School. It should be noted that at the time of the audit, the School</p>

Recommendation	Findings
	<p>had already produced the loan form and started to circulate it to those who have laptops.</p> <p>Where equipment loan forms are not used, there is a risk that School equipment may not be appropriately looked after and may be difficult to retrieve from the individual.</p> <p>Management Response</p> <p>Noted and further actioned</p>

AUDIT TERMS OF REFERENCE
The Crosfield Nursery – 2019/20

1. INTRODUCTION & BACKGROUND

1.1 This audit is being undertaken as part of the Internal Audit Plan for 2019/20, 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	0
Budgetary Control & Monitoring	0	0	0
Payroll	0	2	2

Safeguarding	0	0	0
Procurement	0	1	0
Bank Accounts	0	0	0
Information Governance	0	1	2
Health and Safety	0	0	0
Income	0	0	0
Totals	0	4	4

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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