

**St. Paul's Nursery School
City of York Council
Internal Audit Report 2016/17**

Business Unit: Children's Services, Education & Skills,
Headteacher: N Fox
Date Issued: 18/10/16
Status: Final
Reference: 15691/001

	P1	P2	P3
Actions	0	0	8
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

This audit was carried out on Tuesday 7th June and Wednesday 8th June 2016 as part of the Internal Audit plan for Education, Skills and Children's Services for 2016/17.

Objectives and Scope of the Audit

The purpose of this audit was to provide advice to the Governors, Head Teacher and the Authority's Section 151 Officer about the financial management procedures and assurance that internal controls of the school were operating effectively to manage key risks, both financial and otherwise. The audit covered the following areas in accordance with the specification issued on 6th May 2016:

- Governance;
- Financial Management;
- System Reconciliation;
- Petty Cash
- Contracts – Ordering, Purchasing and Authorisation;
- Income;
- Capital and Property;
- Additional School Activity Provision;
- Human Resources;
- Payroll;
- School Meals;
- Pupil Numbers;
- Voluntary Funds Monitoring Arrangements;
- Data Protection and Information Technology;
- Insurance and Risk Management;
- Joint Use Facilities;
- Inventory Records;
- Security; and
- Safeguarding Arrangements.

Key Findings

The key findings in the audit related to maintaining a register of interests for staff with financial responsibilities, recording the receipt and opening of quotations, monitoring and reporting of arrears, evidencing the right to work in the UK, ensuring there is adequate documentation to support the claim free early education funding and for the verification of receipt of funding, and adoption of a publication scheme for the nursery

Overall Conclusions

An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance

1 Register of Interests

Issue/Control Weakness	Risk						
The nursery does not maintain a formal register of interests for staff with financial responsibilities.	The school may not be able to justify purchasing decisions in the event of challenge.						
Findings							
Although all orders at the school are approved by the Headteacher a number of staff at the school may be able to influence purchasing decisions. In particular members of the Senior Leadership team. A register of business interests for these staff is not currently in place.							
Recommendation							
Staff with financial responsibilities should formally declare on an annual basis any interests (pecuniary or not). Any relevant interest registered should be taken into account to avoid conflicts of interest.							
Agreed Action 1.1							
A register of business interests will be put in place by the end of September. This will be updated annually. Staff with financial responsibilities will register their business interests if necessary and this will be filed confidentially in school and shared with governors.	<table border="1"><tr><td>Priority</td><td>3</td></tr><tr><td>Responsible Officer</td><td>Headteacher</td></tr><tr><td>Timescale</td><td>September 2016</td></tr></table>	Priority	3	Responsible Officer	Headteacher	Timescale	September 2016
Priority	3						
Responsible Officer	Headteacher						
Timescale	September 2016						

2 Procurement

Issue/Control Weakness	Risk
The receipt and opening of quotations is not recorded.	The nursery may be unable to justify its purchasing decision in the event of challenge.

Findings

Recent procurement in excess of £5K was reviewed. The main procurement by the nursery was for outdoor works by Danby at £11.8K. Quotations were obtained from three contractors against an outline specification after contractors had visited school. It was noted however that there was no record of the opening of quotations. A record should be maintained to evidence that all quotations have been opened together by two officers.

Recommendation

An opening record for quotations received for procurements in excess of £5K should be maintained to evidence that quotations from all contractors have been treated on an equitable basis. A sample of an opening record has been sent to the nursery.

Agreed Action 2.1

An opening record will be used for procurement in excess of £5K. The Head and a second member of staff or governor will oversee that quotations will be opened at the same time and this will be recorded and filed.

Priority	3
Responsible Officer	Headteacher
Timescale	September 2016

3 Income

Issue/Control Weakness	Risk
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The nursery had significant arrears for the payment of fees.

All income due may not be collected.

Findings

A signed agreement is in place with the parents detailing free sessions and nursery sessions the fees to be charged. The agreement specifies that payments should be in advance, some payments are received termly and some weekly.

Irregular payment of fees by parents for wraparound care, breakfast club and lunches had resulted in significant arrears being built up in a number of cases. At the date of the audit total arrears for wrap around care were in the region of £1500 (with three cases over £100). It was noted that charges for one child made up the majority of these arrears. It is understood that there are special circumstances in this case. Arrears for lunch time care were in the region of £650 and for school dinners £350.

Arrears are reviewed and chased up when time allows but this had not been done in the current term. Fees are not invoiced therefore do not appear as debtors through the accounting system however records are in place which clearly record the current position for each child.

Recommendation

It is recommended that arrears are regularly reviewed and chased up promptly. A report on arrears should be presented to the Finance Committee to ensure the Governors are kept informed of the latest position and action being taken. The school should ensure all funding has been claimed in these cases (eg free school meals, pupil premium and any other available support though CYC).

Agreed Action 3.1

Head and admin assistant have monthly meeting in place Families in debt to the nursery have been written to again and this will be followed by an official letter drafted by the LA to recover debt	Priority	3
The school has drafted a letter to go out to new families to the effect that if payment is two weeks in arrears, the lunch place or wrap around place will be removed Families who have left the school in debt will continue to be communicated with by the school until the debt is recovered in full or in part. Details of any arrears will be shared with governors at every Staffing, Finance and Premises meeting.	Responsible Officer	Headteacher
	Timescale	September 2016

4 Human Resources

Issue/Control Weakness	Risk						
For new starters insufficient evidence may be held on file to confirm that the right to work in the UK has been verified.	The school may be unable to demonstrate compliance with section 8 of the Asylum and Immigration Act 1996 which may result in fines of up to £10,000.						
Findings							
Procedures for completing pre-employment checks were reviewed. There had been only one new starter in the last 12 months Appropriate checks had been completed, however it was noted that although there was confirmation that documents used to confirm the right to work in the UK had been seen, copies had not been taken and retained on file.							
Recommendation							
Evidence used to confirm the right to work in the UK should be in accordance with the official Home Office guidance and copies of documents used should be retained on file.							
Agreed Action 4.1							
The said member of staff presented his passport which was photocopied and filed centrally in school In future, this will happen to all new starters and the school will follow guidance for staff recruitment in the document Keeping Children Safe in Education 2016.	<table border="1"><tr><td>Priority</td><td>3</td></tr><tr><td>Responsible Officer</td><td>Headteacher</td></tr><tr><td>Timescale</td><td>July 2016</td></tr></table>	Priority	3	Responsible Officer	Headteacher	Timescale	July 2016
Priority	3						
Responsible Officer	Headteacher						
Timescale	July 2016						

5 School Fund

Issue/Control Weakness	Risk						
The independent audit school fund accounts had not been completed promptly. Bank reconciliations had not been completed beyond 2014/15 year end.	The requirements of the CYC Scheme for Financing Schools may not be met and errors in the school fund may have occurred and not been addressed.						
Findings	<p>The CYC scheme for Financing Schools requires that the School Fund is independently audited on an annual basis. The audit of school fund accounts for the year ending 31/3/15 had not yet been completed (the accounts were still with the auditor). Governors had not otherwise been made aware of the activities of the school fund or with its financial position.</p> <p>Additionally reconciliation between the balance at the bank and the balance of the fund had not been completed on a regular basis.</p>						
Recommendation	<p>The school fund should be independently examined on an annual basis. The Governing Body should be presented with the set of audited accounts at the end of every financial year.</p> <p>The balance of the school fund account should be reconciled to the balance at the bank on a regular basis (ideally monthly where the account is in regular use).</p>						
Agreed Action 5.1	<p>The independent audit of the school fund has now been completed (July 2016) Governors will be updated as to the balance of the school fund at every Staffing, Finance and Premises meeting, particularly so at the end of the financial year.</p> <p>The balance of the school fund account will be reconciled to the balance at the bank on a monthly basis.</p>						
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Timescale	September 2016						

6 Early Years Funded Places

Issue/Control Weakness	Risk						
Free early years funding had been claimed for several children without a current parent declaration form being completed.	Funding may not be received for children where a parent declaration form is not in place.						
Findings							
Checks were completed to ensure that a completed parent declaration form was in place for all funded places for the Spring term 2016. It was found that the nursery did not have parental declaration forms on file for several children attending the nursery for whom funding had been claimed in the Spring term. The nursery maintained a record which highlighted that these parent declaration forms had not been completed to date.							
Recommendation							
The school should ensure that a completed parent declaration form is obtained for all children for which funding is claimed. Parents should be made aware that this is a condition of obtaining a funded place.							
Agreed Action 6.1							
There will be a check that all parent declaration forms have been completed and where this is not the case the school will communicate with the family. All forms were posted to the families in August to allow for more time for families to complete and give more thought to these forms.	<table border="1"><tr><td>Priority</td><td>3</td></tr><tr><td>Responsible Officer</td><td>Headteacher</td></tr><tr><td>Timescale</td><td>September 2016</td></tr></table>	Priority	3	Responsible Officer	Headteacher	Timescale	September 2016
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Responsible Officer	Headteacher						
Timescale	September 2016						

7 Nursery Funding

Issue/Control Weakness	Risk						
The funding received for Free Early Years Education is not checked to the expected termly funding.	Discrepancies in funding received may not be identified and investigated and the Nursery may not receive all funding due.						
Findings							
The funded hours for children for the Spring Term 2016 were sample checked to the nursery registers and to charges raised to ensure that funded hours were being taken up and that unfunded hours were correctly charged. It was found that one child from the sample tested had not received funding for the funded hours claimed. This was identified to the school and to the Early Years Team.							
Recommendation							
The school should verify that Free Early Years Education Funding received is in agreement with the number of funded hours expected at the nursery. Where these are not in agreement a query should be raised with the Early Years Funding Team.							
Agreed Action 7.1							
This query has been highlighted to the Early Years Funding Team in retrospect.							
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8 Publication Scheme

Issue/Control Weakness	Risk						
The nursery had not adopted a current publication scheme and guide to information.	The school does not comply with the requirements under the Data Protection Act (DPA and Freedom of Information Act (FOIA).						
Findings							
The school had not adopted a current publication scheme and associated guide to information. The Information Commissioner specifies that the adopted model publication scheme, the guide to information and a large part of the information covered by the scheme should be made available on the website.							
Recommendation							
The Information Commissioners Model Publication Scheme for Schools including the guide to information can be obtained from the ICO website. The scheme should be adopted in full, unedited and promoted alongside the guide to information. The approved Publication Scheme and schedule guide to information should be approved by the Full Governing Body and made available to parents eg published on the school's website.							
Agreed Action 8.1							
The headteacher has accessed information from the ICO Model Publication Scheme and is being supported to ensure all correct and statutory information is available on the website. The Publication scheme and schedule guide to information will be presented to the full governing body and made available on the website by the end of the autumn term 2016.							
<table border="1"><thead><tr><th>Priority</th><th>3</th></tr></thead><tbody><tr><th>Responsible Officer</th><td>Headteacher</td></tr><tr><th>Timescale</th><td>Autumn term 2016</td></tr></tbody></table>		Priority	3	Responsible Officer	Headteacher	Timescale	Autumn term 2016
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Responsible Officer	Headteacher						
Timescale	Autumn term 2016						

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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