

Internal Audit Report
HASMONEAN PRIMARY SCHOOL
31 March 2016

Report circulated to:

Chair of Governors
Head Teacher
Education & Skills Director
Commissioning Director (Children & Young People)
Schools Finance Services Manager (Finance Service)
Local Authority Appointed Governor
Clerk to Governors

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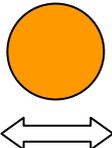
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- A: Statement of responsibilities
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- C: Schools Financial Values Standard (SFVS)

1. Executive Summary

<p>Introduction</p>	<p>The audit of Hasmorean Primary School was carried out as part of the planned School audits for 2015-16. The audit review covered the period April 2014 to January 2016.</p> <p>The aim of the audit is to provide assurance on key areas of financial management and is conducted in line with the “Keeping your Balance” document developed jointly by the Office for Standards in Education (OFSTED) and the Audit Commission (AC) and to ensure compliance with Barnet’s Scheme for Financing Schools and related Financial Guide for Schools.</p> <p>The scope of the audit included assessment of the following:-</p> <ul style="list-style-type: none"> ▪ adequacy of accounting, financial and other controls; ▪ compliance with established plans and procedures; ▪ the integrity and reliability of financial and other information; ▪ whether assets and other interests of the Council are properly safeguarded; and ▪ whether the use of resources achieves value for money. <p>In addition to the above, a review of the ‘Schools Financial Values Standard’ (SFVS) self assessment was conducted to ensure that the self assessment has been completed in line with requirements. The standard has been designed to assist schools in managing their finances and to give assurance that they have secure financial management in place.</p>
<p>Background</p>	<p>Hasmorean Primary School is a Voluntary aided school with places for 240 pupils aged between 3 and 11 years of age. The School budget for 2015/16 is £1,574,868 with employee costs of £1,185,939 (75% of the delegated budget).</p>
<p>Previous Audits</p>	<p>The School was assessed as ‘Good’ by OFSTED in Mar 2015.</p> <p>A review of the eight recommendations reported in the previous audit report dated 30 March 2012 found that five recommendations have been repeated (Governance, Budget Monitoring, Purchasing, Contracts, Assets)</p>

	None	Limited	Satisfactory	Substantial
<p>Audit Opinion and Direction of Travel Last audit: Limited Assurance Mar 2012</p>				

Key Findings

As part of the audit we were able to give '**Limited**' assurance to the school, noting seven high and five medium priority issues as part of the audit (in order of priority):

- Banking– The school bank account should not be overdrawn per the Scheme for Financing Schools. (Priority 1);
- Payroll – Lack of financial control due to no segregation of duties or evidence of independent review. Payments to support staff do not agree to school Pay Policy (Priority 1);
- Purchasing – Purchase order forms were not completed for all relevant expenses. These costs are not recorded as a committed expense, and this procedure has not been agreed by the Governors (Priority 1);
- Budget Monitoring- The school should set a well-informed and balanced budget each year, including income from Governors if appropriate to reimburse the school funds for costs incurred in the provision of Jewish studies (Priority 1);
- Tax -The school should seek advice to confirm the correct treatment of VAT (Priority 1);
- Income – Paperwork is incomplete for money received into the school office. Therefore a complete reconciliation between money received and money banked was not possible (Priority 1);
- Contracts – Up to date contracts were not available for security services. There was no evidence of regular review of contracts (Priority 1);
- Governance – The 'Notice of Authorised Signatories' and financial management policy and procedures document should be revised and approved by Governors to reflect current procedures in school;
- Financial Planning – No medium term School Development Plan exists, no evidence of review of three year budget;
- Lettings –The school does not have an approved lettings policy, and a signed agreement is not held for organisations that use the premises. – The children in the nursery are allowed to stay for an extended day. Nursery fees are paid into the Governor's fund, but identifiable costs are not reimbursed to the school's delegated budget;
- Assets– the Inventory could not be found. No annual review or authorisation of disposals;

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review, in the areas outlined below, it is the opinion of audit that contrary to the School's self-assessment this area has either not been met, or met 'In-Part', or information was not available to enable us to confirm the judgement. Refer also to appendix C below:

A1: Governing Body financial skills - The school has answered 'Yes', but there was no evidence available to support this. No Governor competency forms available, or list of financial training undertaken by Governors /staff.

A5: Register of Interests - The school has answered 'Yes', but no Register of Business Interests forms were completed for staff in 2015. Governor forms were not available during the audit visit.

A8: Pay decisions in accordance with Pay Policy - The school has answered 'Yes', but payments to support staff do not agree to school Pay Policy. See Payroll recommendation.

A9: Professional independent advice informing decision process in relation to the Head Teacher - The school has answered 'Yes', but no Headteacher review was undertaken in 2015

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B13: Year-end outturn being in line with budget projections / governing body being alerted to significant variations in a timely manner – The school has answered ‘In Part’, but there was no evidence available to support this.

C14: Benchmarking of income and expenditure - The school has answered ‘Yes’, but there was no evidence available to support this.

C17: Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement? -The school has answered ‘No, but there was no evidence available to support this

D21: Arrangements in place to guard against fraud and theft – The school has answered ‘Yes’ but there are relevant audit Findings/Recommendations over Governance/Payroll/Purchasing/Assets, which should be addressed to ensure procedures are as robust as possible

D22: - Are all staff aware of the school whistleblowing policy? – The school has answered ‘No’. There was no evidence available to support this

D23: Does the school have an accounting system that is adequate and properly run and delivers accurate reports? –The school has answered ‘In part’- refer to audit findings purchasing where it is noted that purchase orders are not entered as a committed expense

D25: Does the school have an up-to date asset register? – The school has answered ‘No’. The asset register was not available

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Number of Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Governance				1	
Financial Planning				1	
Budget Monitoring			1		
Purchasing			1		
Contracts			1		
Income			1		
Lettings				1	
Banking & Petty Cash			1		
Payroll			1		
Tax			1		
Voluntary Funds					
Assets				1	
Insurance					
Data Security					
Schools Financial Values Standard				1	

Acknowledgement	The auditors would like to thank the Headteacher and staff of Hasmonean Primary School for their help and co-operation during the audit, which was greatly appreciated.
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2. Findings and Recommendations

P	Audit Objective & Detailed finding	Risk	Recommendation	
H	<p><u>1. Banking and Petty cash</u> The audit objective was to ensure that the school has adequate control over its funds, with regular arrangements for reconciling bank and cash balances.</p> <p><u>Finding:</u> The school bank account was overdrawn throughout the year from May 2014 to April 2015. Although the account has not gone overdrawn from May 2015 to Jan 2016, the school has unpaid invoices in excess of the bank balance. The largest amounts due are to the London Borough of Barnet for school meals and support. Bank balance at 22 Jan 2016 was £44,553, list of unpaid invoices provided by the school totalled £61,538.</p>	<p>The Scheme for financing schools requires all invoices and accounts to be paid promptly and in time to avoid penalty or to obtain any discount. There is a risk that the school will incur penalties for late payment. The local authority may issue a notice of concern to the governing body of any school where the school has failed to comply with any provision of the scheme for financing schools.</p>	<p>The School should review the Financial Guide for schools and take steps to resolve cash flow problems.</p> <p>Refer to the Barnet Financial Guide for schools, section 5 (Banking and Funding arrangements) and the Scheme for Financing Schools sections 3.7 (Borrowing by Schools) for guidance.</p>	
Management Response			Responsible Officer	Implementation By
<p>The Finance Committee (Governors) have approved a recovery plan which includes a fund-raising plan. When funds are available, the deficit will be repaid. For the future, we hope that better monitoring by the new School Business Manager will avoid the situation reoccurring.</p>			<p>Finance Committee</p> <p>School Business Manager</p>	<p>Ongoing for three years commencing April 2016</p> <p>Implemented</p>

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P	Audit Objective & Detailed finding	Risk	Recommendation	
H	<p><u>2. Payroll</u> The audit objective was to ensure the school has adequate control over its payroll costs and personnel data.</p> <p><u>Finding:</u> A review of current administration arrangements for Payroll found:</p> <ul style="list-style-type: none"> a. There was no visible evidence to show that the monthly payroll reports are independently reviewed. b. At the time of the audit, the school was not complying with its pay policy regarding payments to support staff. 	<p>There is a risk of error or fraud in the absence of independent checks over the monthly payroll reports.</p>	<p>As payroll constitutes the largest area of expenditure for the School, it is recommended that at least two officers are involved in checks over the monthly payroll reports. The School should refer to the 'Keeping your Balance' document, section E (Financial Controls) and section H (Payroll) for guidance with procedures. 'The Headteacher should ensure that duties related to financial administration are distributed so that at least two people are involved. The work of one should act as a check on the work of the other and all checks should be fully documented.'</p> <p>All school policies should be reviewed on a regular basis and approved by Governors to reflect current agreed practice in school.</p>	
Management Response			Responsible Officer	Implementation By
<ul style="list-style-type: none"> a) The Head Teacher now signs off monthly payroll. Since May 2015, the Head has been required to sign off any changes to the payroll. b) The school has reverted to the NJC scales for support staff. 			<p>Head</p> <p>Head</p>	<p>Feb 2016</p> <p>Feb 2016</p>

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P	Audit Objective & Detailed finding	Risk	Recommendation
H	<p>3. Purchasing Objective - To ensure that the school's purchasing, tendering and contracting arrangements achieve value for money.</p> <p><u>Finding:</u> A review of current purchasing arrangements found:</p> <ol style="list-style-type: none"> a. The school is not preparing purchase orders forms for all items ordered in school. These costs are not recorded as a committed expense, and accurate budget monitoring is not possible. b. Purchase orders that have been prepared do not comply with the Barnet Financial Guide for schools in that they do not have unique, sequential numbers. No audit trail is available to allow an item to be traced from ordering through to payment of the invoice. c. During our review of paid invoices it was noted that delivery notes are not signed to confirm quality and quantity of goods received. d. At the time of the audit a number of invoices totalling £17,208 (plus VAT) had been paid to Securteam for school security. An invoice had been raised for reimbursement of this sum administered by Community Security Trust, but there was no confirmation from Governors that it was agreed that other invoice payments would be delayed until the refund had been received. 	<p>There is a risk:</p> <ol style="list-style-type: none"> i) That goods and services may be purchased which are not in line with school requirements; ii) To the effectiveness of the budget monitoring process if the school fails to comply with prescribed procedures for recording ordered goods and services within the accounting system as commitments. 	<p>The school should ensure that a purchase order is raised for all relevant goods and services and this is approved by an authorised signatory. This expenditure should then be entered as a commitment to the accounting system, prior to the order being placed. Refer to section D of the 'Keeping Your Balance' document, issued jointly by Ofsted and the Audit Commission.</p> <p>The school should introduce a clear separation of duties to ensure that the same officer is not responsible for authorising the purchase order, invoice and cheque for the same purchase. Refer to the Barnet Financial Guide for schools, section 4 (Internal Financial Controls) for guidance.</p>

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Management Response	Responsible Officer	Implementation By
a) All items are now ordered using purchase orders. This change happened in Nov 2015 prior to the Audit, although some orders, inspected by the auditor, were done by emails between May 2015 and November 2015. All emailed orders were still authorised by the Head <u>before</u> ordering.	School Business Manager	Nov 2015
b) POs are now recorded by School Business Manager and given unique sequence numbers. A record is kept in the order file. Orders will be entered into RM from 1 st April 2016	School Business Manager	Feb 2016 April 2016
c) Delivery notes are now signed by School Business Manager or Office staff on delivery.	School Business Manager/Office staff	Feb 2016
d) The security company is aware that we have cash flow problems and are content that we use CST refunds to pay the next security bills. The DfE reimburse schools via the CST for security guards – these payments from the DfE have always been delayed by half a term.		
e) Separation of duties has always existed as follows: <ul style="list-style-type: none"> <li data-bbox="286 831 734 863">i. Orders authorised by Head <li data-bbox="286 879 1093 911">ii. Invoices authorised by Deputy Head or Head of Infants <li data-bbox="286 927 1361 959">iii. Two signatures on cheques but Head only signs if invoice is authorised first. 		

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P	Audit Objective & Detailed finding	Risk	Recommendation	
H	<p>4. Budget Monitoring Objective - To ensure that the School carries out regular monitoring of income and expenditure against agreed budgets, providing effective financial management.</p> <p><u>Finding:</u> Included in the 2015/16 budget were four amounts due from Governors totalling £123,722 – representing reimbursements to the school account for costs incurred in the provision of Jewish studies, or for reimbursement of costs incurred running two part-time nursery provisions where income was banked to Governors funds. The amount received from April 2015 to January 2016 was £57,903.42 There was no information available to confirm the basis of calculation of amounts to be reimbursed by governors, and no confirmation that actual costs should be reimbursed in a similar way and paid on a regular basis. No committed expenses were recorded in the budget monitoring report. There was no evidence available during the audit visit that regular budget monitoring reports were discussed with senior staff/governors.</p>	<p>There is a risk that funds will not be available to meet obligations if the budgeted amount from the Governor’s funds is not received.</p>	<p>The School should set a well-informed and balanced budget each year, including income from the Governors if appropriate to reimburse the school funds for costs incurred in the provision of Jewish studies, or additional staff costs approved by the Governors. These amounts should be quantified and authorised. Where contributions are significant the school should ensure they are received evenly across the year to avoid any negative impact on cashflow. The school needs to assure the Council that all sources of income are reliable when balancing their budget.</p>	
Management Response			Responsible Officer	Implementation By
<ol style="list-style-type: none"> 1. There are reimbursements from Governors’ Funds to LBB for Religious Studies and Nursery 2. The Finance Committee will document such calculations in future. 3. Commitments to be entered into RM from April 2016. 4. The Finance Governors were kept informed by email about the financial situation during 2015-2016, and they had copies of the Sept and Dec 2015 forecasts 			<p>Finance Committee/ School Business Manager</p>	<p>April 2016</p>

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P	Audit Objective & Detailed finding	Risk	Recommendation	
H	<p><u>5. Tax</u> Objective - To ensure that the school has arrangements to comply with the statutory requirement on taxation, including VAT and PAYE.</p> <p><u>Finding:</u> a) The school provided documentation at the audit that it owes £7,945 to the Borough for overclaimed VAT in August 2013. Further details could not be found in school. There was no evidence that this error had been discussed by Governors and plans made for repayment. b) Two invoices for purchases of Sage accountancy products were paid through the school account in June 2015 and VAT claimed. All invoices relating to Governors funds should be paid through the Governors account to avoid any penalties.</p>	There is a risk of penalties by HM Revenue and Customs if the school fails to comply with VAT regulations.	The school should refer to the Financial Guide for Schools section 8 (Taxation) in order to ensure compliance.	
Management Response			Responsible Officer	Implementation By
<p>a. This money has now been repaid to LBB. The new School Business Manager has not claimed VAT on any capital invoices and will not.</p> <p>b. Noted</p>			School Business Manager	Feb 2016

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P	Audit Objective & Detailed finding	Risk	Recommendation	
H	<p>6. Income Objective - To ensure that all income due to the school is identified, collected, receipted, recorded and banked promptly and that, administration arrangements are adequate and effective.</p> <p><u>Finding:</u> Income for school meals, collected by the Barnet Catering service, is reconciled by a parent of a child who volunteers at the school. This arrangement is not included in the finance policy, and a clear audit trail of income was not available at the audit.</p> <p>Prior to May 2015 money for school trips and breakfast club was paid into the Governors funds instead of the main school account.</p> <p>The school were unable to provide a trips and journeys income record as required by the Barnet Financial Guide for schools.</p> <p>Income due from Governors' funds for reimbursement of salary costs had not been invoiced or collected on a regular basis.</p>	<p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of;</p> <ul style="list-style-type: none"> - Independent checks to confirm amounts banked agree to source records; - Clear audit trails and records for all income due/received. 	<p>Strict income controls and procedures should be in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced. Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure that there is a proper audit trail.</p>	
Management Response			Responsible Officer	Implementation By
a. A more detailed recording system of noting funds due from Governors to LBB account will be kept and the chairman of Governors will be emailed for authorisation to transfer the money. Printouts of authorisations will be filed for the attention of auditors from LBB and private auditors of Governors' funds.			School Business Manager	April 2016
b. Income banked into the LBB account has backing documentation which will now be signed by the Head or Deputy Head.			Head/Deputy Head	April 2016

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P	Audit Objective & Detailed finding	Risk	Recommendation	
M	<p>8. Governance Objective - To ensure the responsibilities of the governing body, its committees, the head teacher and staff are clearly defined and limits of delegated authority established; and that management, organisation and arrangements are adequate and effective leading to sound financial decisions.</p> <p><u>Finding:</u></p> <p>a) The 'Notice of Authorised Signatories' in use in the school is dated July 2013. It should be updated to reflect staff changes and current bank signatories, and allow for separation of duties.</p> <p>b) The Finance Policy was approved by Governors in February 2013. The Finance policy needs updating to reflect all current procedures and financial responsibility in school. This should include the role of the business manager, clarification of use of purchase orders, and an agreed basis for amounts to be provided from the Governor's fund to reimburse the school account for costs incurred in the provision of Jewish studies.</p>	<p>There is a risk to the effective financial management of the School if, in the absence of an up to date Financial Management and Procedures Policy, Governing Body members and key staff are not able to fulfil their responsibilities consistently.</p>	<p>The School should review and update (as required) its Financial Management Policy and Procedures document ensuring that its contents are up to date incorporating detailed procedures for all areas of financial management in the School, including those outlined within the London Borough of Barnet Scheme of Financing Schools, Finance Guide, Contract Standing Orders and 'Keeping Your Balance' documents.</p> <p>The most up to date 'Notice of Authorised Signatories' should be approved by Governors.</p>	
Management Response			Responsible Officer	Implementation By
<p>a. This has been updated and signed by Chair of Governors and submitted to LBB. The School Business Manager will keep it up to date in future.</p> <p>b. The Finance Policy will be redrafted by July 2016 to include the role of the School Business Manager and the fact that a parents' committee runs the catering.</p>			<p>School Business Manager</p> <p>Head/School Business Manager</p>	<p>Feb 2016</p> <p>July 2016</p>

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P	Audit Objective & Detailed finding	Risk	Recommendation	
M	<p>9. Financial Planning Objective - To ensure that the School carries out adequate financial planning to reflect the School's prioritised educational objectives.</p> <p><u>Finding:</u> The school prepares an annual budget which is approved by the Governors. However, a review of the School reports found that although a 3 year budget plan was prepared for 2015/16, 2016/17 and 2017/18, there was no evidence that this had been discussed by Governors, and a medium term (3yr) School Development Plan had not been prepared.</p>	<p>Failure to indicate the resource implications of each priority could reduce the effectiveness of the School to manage its resources within the delegated budget, which could prevent the school from achieving its educational objectives</p>	<p>The School Development Plan should cover in outline the school's educational priorities and budget plans for at least the next three years, showing how the use of resources is linked to the achievement of the school's goals.</p> <p>Refer to page 7 (standards B2 and B7) of the 'Keeping Your Balance' document, issued jointly by Ofsted and the Audit Commission, and section 2 of the Financial Guide for Schools (Budget).</p>	
Management Response			Responsible Officer	Implementation By
<p>a. The budget is now prepared on HCSS software and a three-year budget / recovery plan has been approved by the Finance Committee. Three-year budgets will be submitted to the Finance Committee every year.</p> <p>b. The School Development Plan will be updated by the Head and costing will be included within the scope of the budget approved.</p>			<p>School Business Manager</p> <p>Head</p>	<p>March 2016</p> <p>Sept 2016</p>

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P	Audit Objective & Detailed finding	Risk	Recommendation
M	<p><u>10. Lettings</u> The audit objective was to ensure that all income due from lettings to the school is identified, collected, receipted, recorded and banked promptly and that, administration arrangements are adequate and effective.</p> <p><u>Finding:</u> The school had one holiday letting where payments were made to the main school account. The school does not have a signed agreement for this let. There is no proof of insurance, and invoices were not raised for use of the premises. The school does not have an approved lettings policy. The children in the nursery are allowed to stay for an extended day. Nursery fees are paid into the Governor's fund, but identifiable costs are not reimbursed to the school's delegated budget.</p>	<p>There is a risk of financial loss and disputes arising in the absence of controls over lettings income.</p>	<p>The School should refer to the Barnet Schools Financial Guide, section 7.9 (Lettings Policy and Administration) for guidance with lettings, to ensure that all income due to the School is identified, collected and recorded promptly.</p> <p>It is recommended that the school agrees a Lettings policy and includes this in their Finance Policy document.</p> <p>The Financial Guide for schools section 7.9 states that 'The income from lettings should be paid into the same account from which the related expenditure was paid i.e. the school's Delegated Budget / Budget Share Account. However, in Voluntary Aided Schools where the premises are owned by the Governors, then it is permissible for the income to be paid into the Governor's account but only if all identifiable costs associated with providing the letting are reimbursed to the school's delegated budget. Where income from lettings is paid into the Governors account then the Lettings Policy should set out the frequency at which associated costs are reimbursed to the delegated budget together with the basis on which these are calculated.'</p>

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Management Response	Responsible Officer	Implementation By
a. The school is aiming to increase lettings. A new policy, based on the sample provided by LBB, has been approved. New agreement forms have been sent to hirers.	School Business Manager	Feb 2016
b. The Governors have included in the budget a payment of £14,000 to cover costs of religious teaching and nursery teaching that should not be funded by LBB	School Business Manager	April 2016

P	Audit Objective & Detailed finding	Risk	Recommendation
M	<p>11. Assets The audit objective was to ensure that the school has adequate controls and records to safeguard its valuable/moveable assets and items of inventory.</p> <p><u>Finding:</u> The manual inventory could not be found during the audit visit. The school confirmed that this had not been kept up to date, and that no alternative records were available There was no documented annual review or formal authorisation of disposal of old items by Governors.</p>	Failure to maintain a complete and accurate inventory could result in the School failing to identify possible lost/missing equipment and having insufficient details to provide in the event of an insurance claim.	The inventory records should be maintained up-to-date with sufficient information being recorded to enable items to be easily traced, i.e. the date of acquisition, supplier details etc. The School should review section M of the 'Keeping Your Balance' document, issued jointly by Ofsted and the Audit Commission and take appropriate action in order to ensure the assets of the school are protected.
Management Response			Responsible Officer
A new inventory will be compiled by the School Business Manager in the Autumn term of 2016.			School Business Manager
			Implementation By
			Dec 2016

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P	Audit Objective & Detailed finding	Risk	Recommendation
M	<p>12. School Financial Values Standard</p> <p>The audit objective was to ensure that the self-assessment has been completed in line with requirements, to assist schools in managing their finances and to give assurance that they have secure financial management in place.</p> <p><u>Finding:</u> A review of the school’s self–assessment for 2015/16 found that, although the School has responded with ‘Yes’, ‘No’ or ‘In part’ in areas outlined below, it is the opinion of audit that these areas have either not been met, met ‘In-Part’, or information was not available (refer also to appendix C below):</p> <p>A1: No evidence available to support this; A4: No evidence available to support this; A5: No evidence available to support review of business interests of staff. 2015 forms not available in school; A8: Policy needs to be revised for support staff; A9: Headteacher pay review not done in 2015; B11: No evidence of review of the three year budget plan from 2015/16 was not available; B12: No evidence – see budgeting recommendation B13: No evidence available to support this; C14: No evidence available of review of benchmarking; C16: Balances are not at a reasonable level – see banking/budgeting recommendations; C17: No evidence available to support this;</p>	<p>There is a risk to the effective financial management of the School. Effective financial management ensures money is spent wisely and properly, and allows schools to optimise their resources to provide high-quality teaching and learning and so raise standards and attainment for all their pupils</p>	<p>The School should ensure:</p> <p>A1: A Governor skills analysis is completed on an annual basis demonstrating that there are adequate financial skills among its members and that there is no over-reliance on any one individual governor. Records of training undertaken by governors should be maintained; A4: The governing body should review the income and expenditure against the budget at least three times a year. A5: That the Register of business interests is updated annually. The register should include Governors, the Headteacher and other senior members of staff. Governors and staff have a responsibility to avoid any conflict between their business and personal interests and the interests of the school; A8: Where support staff are included in the school pay policy, the policy should reflect current practise in school; A9: Where independent advice has not been sought – this decision should be approved by Governors; B11: The school development plan should cover in outline the school’s educational priorities and budget plans for at least the next three years, showing how the use of resources is linked to the achievement of the school’s goals. Three year budget plan should be reviewed;</p>

<p>D20: Five findings from the previous audit have been repeated; D21: Refer to audit findings (Governance/Payroll/Purchasing/Assets); D22: No evidence available to support this; D23: Refer to audit findings purchasing D25: The Asset register was not up to date;</p>		<p>B12: A balanced budget is one that will lead neither to an excessive surplus at the end of the year nor to a deficit. A budget is well-informed when it takes account of the best available information on all variables, such as pupil numbers and staffing changes; B13: School staff should monitor the budget on a monthly basis so that they can alert the governing body as soon as they become aware that the year-end outturn may be significantly different from the budget projections; C14: Benchmarking of its income and expenditure annually against that of similar schools, the results of which should be presented to governors. Minutes of the meeting should record any conclusions drawn or actions decided upon as a result of the exercise; C16: All schools should aim to spend their funds prudently with proper regard for value for money; C17: It is important to know your buildings and to have an asset management plan which reflects the performance and maintenance requirements of the elements referring to suppliers' and manufacturers' guidance. D20: Ensure all recommendations from audit reports are implemented in a timely manner and monitored to ensure continued compliance; D21: Refer to recommendations under 'Purchasing'; 'Governance' and 'Payroll'</p>
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			<p>above; D22: Ensure that the school has a whistleblowing policy in place and governing body minutes should record that they do; D23: The accounting system should record detailed information on income and expenditure, covering all of the school's financial transactions; D25: Refer to recommendation above under 'Assets'. The inventory records should be maintained up-to-date with sufficient information being recorded to enable items to be easily traced, i.e. the date of acquisition, supplier details etc.</p>	
Management Response			Responsible Officer	Implementation By
<p>A1. Evidence now available.</p> <p>A4. The Finance Committee will receive reports in July, Oct & Jan each year starting July 2016.</p> <p>A8. We are back to paying them the National Scales.</p> <p>A9. This is a matter for the Governors.</p> <p>B11. The school is now using HCSS budget software and this provides 3 and 5-year budgets. A 3-year budget has been submitted to the Finance Committee for it to approve in March 2016.</p> <p>B12. The school has now set a well informed and balanced budget for 2016/17 and the School Business Manager has endeavoured to include all costs and to provide notes detail what has been included for the Finance Committee to discuss.</p> <p>B13. The School Business Manager did monitor the budget on a monthly basis and alerted the Finance Committee in July 2015 that the outturn would be different from the budget it had approved.</p>			<p>School Business Manager</p>	<p>March 2016</p> <p>July 2016</p> <p>Feb 2016</p> <p>March 2016</p> <p>March 2016</p> <p>July 2015</p>

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<p>C14. The Head and the School Business Manager did this but did not keep the printouts, but next year it will be a more formal exercise.</p>	<p>School Business Manager/Head</p>	<p>Dec 2016</p>
<p>C16. The school is currently in deficit. The Governors have approved a recovery plan.</p>		
<p>C17. Due to the financial position of the school, at the moment only urgent repairs are done.</p>		
<p>D20. The School Business Manager will endeavour to adopt the recommendations of this audit to avoid this happening again.</p>		
<p>D22. The Headteacher will address this during the summer term of 2016.</p>	<p>Head</p>	<p>July 2016</p>
<p>D23. The School Business Manager intends to enter commitments into RM from April 1 2016.</p>	<p>School Business Manager</p>	<p>April 2016</p>
<p>D25. The School Business Manager will start an asset inventory in the Autumn term of 2016 after the other improvements have been made. A disaster recovery plan will be discussed with Tony Rafferty as we intend to buy into ICT packages we have not had before.</p>	<p>School Business Manager</p>	<p>Dec 2016</p>

Appendix A: Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below:

- The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or all improvements that might be made.
- Our recommendations for improvements should be assessed by you for their full impact before they are implemented.
- The performance of internal audit work is not, and should not be taken as a substitute for the School's responsibilities to ensure the application of sound financial management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with the School and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.
- Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
- Internal audit procedures are designed to focus on key areas of financial management considered to be of greatest risk and significance and as such we rely on the School to provide full access to accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents.
- Effective and timely implementation of our recommendations by the School is important for the maintenance of a reliable internal control system.

Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

	Substantial Assurance	The standard of controls operating in the systems audited at the School is robust and provides substantial confidence that the School is protected from loss, waste, fraud or error.
	Satisfactory Assurance	The standard of controls operating gives satisfactory assurance that the School is protected from loss, waste fraud or error but there may be areas which need to be strengthened to provide robust confidence in the system of internal control.
	Limited Assurance	The standard of controls is insufficient to give confidence that the School is protected from loss, waste, fraud or error. Prompt attention needs to be given to strengthening one or more areas of the control system before sufficient confidence is provided.
	No Assurance	The standard of controls is poor and places the School in potential danger of loss from waste, loss, fraud or error. Urgent attention needs to be given by management to addressing weaknesses identified in the audit.

Priorities assigned to recommendations are based on the following criteria:

1. **Priority High** – Fundamental issue where action is considered imperative to ensure that the School is not exposed to high risks, also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.
2. **Priority Medium** – Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3-6 months.
3. **Priority Low** – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.

APPENDIX C: Review of Schools Financial Values Standard 15/16

LIST OF QUESTIONS	SCHOOL RESPONSE (Yes/InPart/No)	AUDIT CONCLUSION FOLLOWING REVIEW OF COMMENTS, EVIDENCE AND PROPOSED ACTIONS
A: The Governing Body and School Staff		
1. In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?	Yes	No information available
2. Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?	Yes	Agreed
3. Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field?	In part	Agreed
4. Does the governing body receive clear and concise monitoring reports of the school's budget position at least three times a year?	No	No information available - no finance committee minutes
5. Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?	Yes	IN PART - Declaration forms were not completed by staff in 15/16. Governors' forms were not available.
6. Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent, eg on sick leave?	Yes	Agreed
7. Does the school review its staffing structure regularly?	Yes	Agreed
8. Have your pay decisions been reached in accordance with a pay policy reflecting clear performance criteria?	Yes	IN PART – pay policy to be updated – see payroll recommendation
9. Has the use of professional independent advice informed part of the pay decision process in relation to the headteacher?	Yes	IN PART – this did not happen in 2015
B: Setting the Budget		
10. Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment?	Yes	Agreed
11. Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?	No	Agreed- see Financial Planning recommendation
12. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?	No	Agreed- see Budget recommendation
13. Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and	In part	No information available for 14/15

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do they result from explicitly planned changes or from genuinely unforeseeable circumstances?		
C: Value for Money		
14. Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?	Yes	No information available
15. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?	Yes	Agreed
16. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?	No	Agreed – see Banking/Budgeting recommendations
17. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?	No	No information available
18. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?	Yes	Agreed
19. Can the school give examples of where it has improved the use of resources during the past year?	Yes	Agreed
D: Protecting Public Money		
20. Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?	No	Agreed – Five findings from the previous audit have been repeated
21. Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers (please note any instance of fraud or theft detected in the last 12 months)?	Yes	IN PART – Refer to audit Findings/Recommendations Governance/Purchasing/Payroll/Assets, which should be addressed to ensure procedures are as robust as possible.
22. Are all staff aware of the school’s whistleblowing policy and to whom they should report concerns?	No	No information available
23. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?	In part	Agreed – see Purchasing recommendation. Purchase orders are not entered onto the system as a committed expense
24. Does the school have adequate arrangements for audit of voluntary funds?	Yes	No Voluntary funds
25. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?	No	Agreed - Asset register was not available. See Assets recommendation.