

# Internal Audit Report

## HASMONEAN PRIMARY SCHOOL


### 9 May 2019

**To:** Chair of Governors  
Headteacher

**Copied to:** Education and Skills Director  
Strategic Director (Children and Young People)  
School Finance Manager (Finance Service)  
Local Authority Appointed Governor  
Clerk to Governors

We would like to thank management and staff of Hasmorean Primary School for their time and co-operation during the course of the internal audit.

## Executive Summary

Assurance level and Direction of Travel	Number of actions by risk category				
<b>Limited</b> 	<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
	-	1	5	2	-

### Background and Scope

The audit of Hasmonean Primary School was carried out as part of the planned School audits for 2018-19. The audit review covered the period April 2017 to February 2019.

Hasmonean Primary School is a Voluntary Aided school with 240 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2018/19 is £1,291,481 with employee costs of £994,972 (77% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in February 2019.

A review of the eleven recommendations reported in the previous audit report dated 31 March 2016 found that three recommendations had been partially repeated (Governance, Contracts, Assets).

The aim of the audit is to provide assurance on key areas of financial management. The review covered all major systems within the school to ensure compliance with the Scheme for Financing Schools and the Barnet Financial Guide for Schools, including Barnet Contract Standing Orders for Schools.

The scope of the audit included assessment of the following:-

- 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.

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.

## Summary of findings

The table provided in Appendix 2 lists the areas audited and the number of recommendations in each area. Definitions of audit assurance levels and risk ratings for the issues identified are provided in Appendix 1.

As part of the audit we were able to give '**Limited**' Assurance to the school, noting one high, five medium and two low priority issues as part of the audit:

- Banking– The Bank account administered by the Local authority but holding school funds has not been reconciled since March 2018 (Eleven months). (High rated);
- Governance– The financial management policy and procedures document should be updated and approved by Governors to include 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, and nursery costs where income is banked to Governor's funds. A B&Q Tradecard is in use in school which operates like a credit card. The school should document and approve controls and procedures for use. (Medium rated);
- Purchasing– Delivery notes should be signed to confirm proof of receipt of goods in school. Where a delivery note is not received, the invoice should be signed to confirm that goods/services have been received and the price charged on the invoice has been agreed to purchase order/agreed quotation prior to being passed for payment authorisation. Regular reimbursements are made to a member of staff for school purchases made on a private credit card. Where amounts are significant, committed expenses should be recorded to ensure accounts are up to date. (Medium rated);
- Payroll– For two employees selected, monthly Gross pay could not be agreed to the Master list of staff containing standard pay and grade details. Monthly monitoring of payroll against budget should be completed and reviewed. One member staff had not been included on the school Single Central Record. (Medium rated);
- Tax– VAT due on money received for staff meals has not been included on the VAT return. VAT has been claimed on staff reclaimed expenses which is not supported by a valid VAT receipt. (Medium rated).
- Assets– The inventory was not found to be complete. The IT listed on the inventory did not contain sufficient information to comply with the Financial Guide for schools. Annual review was not completed. Governors had not been asked to approve disposal of school whiteboards. (Medium rated)
- Contracts–An up to date signed contract could not be found in school for the security contract with Securteam. (Low rated);

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review we were able to confirm that there were no major discrepancies in judgements noted, however, although the School has responded with 'Yes' or 'In Part', in the areas outlined below, it is the opinion of audit that this area has either not been met, or met 'In-Part' (refer also to Appendix 3 below):

**A8:** Have your pay decisions been reached in accordance with a pay policy reflecting clear performance criteria? - The school has answered 'Yes', but the Teaching Staff Pay Policy was not up to date.

**D20:** Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body? - The school has answered 'Yes', but three findings from the previous audit has been repeated (Governance, Contracts and Assets)

**D21:** Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers? - The school has answered 'Yes', but refer to Findings (Governance/Purchasing/Assets), which should be addressed to ensure procedures are as robust as possible.

**D25:** Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance? - The school has answered 'Yes', but the asset register was not found to be complete.

## 2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action(s)
1.	<p><b><u>Banking and Petty cash</u></b></p> <p><b>Objective</b> – To ensure that the school has adequate control over its funds, with regular arrangements for reconciling bank and cash balances.</p> <p><b>Finding</b> A review of current banking arrangements found: The school uses the Local Authority Central Banking facility where £964,022 was retained from the school delegated budget in April 2018 to pay Payroll bills monthly as calculated by CAPITA payroll. The school has posted payroll transactions to the accounting records as notified by CAPITA, but due to the change in the payroll software to the i-Trent payroll system, the bank account has not been reconciled by the school since March 2018. (Eleven months).</p>	<p>The school may not be able to demonstrate satisfactory stewardship over all the schools funding, which therefore may be a fraud risk.</p> <p>Management may not identify errors or omissions in the bank account or the finance system in a timely manner. These errors could go undetected resulting in a financial loss to the School, or an inaccuracy in financial monitoring and reporting.</p>	<p><b>High</b></p>	<p><b>Actions:</b></p> <p>The school will immediately complete a reconciliation of amounts paid through the Local Authority Central Banking facility to records recorded on the school accounts. Any differences will be immediately be investigated. This reconciliation will be performed monthly thereafter, signed by the person completing the reconciliation and countersigned by the Headteacher.</p> <p><b>Responsible officer:</b></p> <p>School Business Manager/ Headteacher</p> <p><b>Target date:</b></p> <p>Immediately</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
2.	<p><b><u>Governance</u></b></p> <p><b>Objective –</b> 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><b>Finding -</b> A review of the current Financial Management Policy and Procedures document found that it does not fully reflect the following:</p> <p>a) The 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, and for reimbursement of costs incurred running two part-time nursery provisions where income is banked to Governors funds.</p> <p>b) A B&amp;Q Tradecard is in use in school which operates like a credit card. The school has restricted use of the card to designated individuals, but this is not included in the Finance Policy with procedures to protect the school from fraud or mis-use.</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>There is a risk that without an agreed basis of reimbursement from Governor's funds for costs incurred outside of those funded by Government contribution, the school will return to a deficit financial position.</p> <p>There is a risk:</p> <p>i) That goods and services may be purchased which are not in line with School requirements;</p> <p>ii) Payments could be made by the School without receiving the goods/services, in the absence of proper verification of receipt;</p>	<p><b>Medium</b></p>	<p><b>Actions:</b></p> <p>The Financial Management Policy will be reviewed and updated with reference to the Barnet Schools Financial Guide.</p> <p>The school will document the decision of Governors to reimburse school funds for costs incurred in the provision of Jewish studies, and additional nursery costs.</p> <p>The School will approve a Tradecard policy and plan use of the school Tradecard to ensure that all purchases are reviewed and executed in accordance with requirements as approved within the School's Financial Management Policy and Procedures document, ensuring always that a separation of duties exists, between purchase order request, purchase order approval and online payment by Tradecard, sufficient budget is available, a record is kept of delivery to the school.</p> <p><b>Responsible officer:</b></p> <p>School Business Manager/ Headteacher/Governing Body</p> <p><b>Target date:</b></p> <p>Summer term 2019</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
3.	<p><b><u>Purchasing</u></b></p> <p><b>Objective</b> – To ensure that the School’s purchasing, tendering and contracting arrangements achieve value for money</p> <p><b>Finding –</b></p> <p><b>a)</b> During our review of paid invoices, it was noted that delivery notes are not signed confirming the quality and quantity of goods received. The Financial guide for schools requires that Invoices for payment should be matched with delivery notes of the receipt of goods or work carried out. The invoice should be checked and marked off for accuracy of quantity, price and calculation against the original order. All these checks should be recorded on the invoice – a rubber stamp grid is ideal. Although the school stated that the School Business Manager made all the appropriate checks, there was no evidence that this had been done by appropriate ticks or initials in the rubber stamp grid, before the invoice was passed for authorisation by the senior teachers.</p> <p><b>b)</b> The school does not have a credit card. To obtain the best value for money, one member of staff is using her credit card to buy school resources online and in shops, and being reimbursed on a regular basis. If the school decides to continue with this practise and to ensure transparency around practice, Governor approval should be documented, a system should be introduced to include proof of receipt of goods in school, and, where amounts are significant, committed expenses should be recorded in the school accounts prior to reimbursement.</p>	<p>There is a risk:</p> <p>i) Unchecked invoices may be passed for payment, where checks on the invoices are not noted, prior to passing for payment authorisation;</p> <p>ii) Payments could be made by the School without receiving the goods/services, in the absence of proper verification of receipt;</p>	<p><b>Medium</b></p>	<p><b>Actions:</b></p> <p>1. The School Business Manager will clearly initial in the rubber stamp grid on the invoice that the invoice has been checked for accuracy of quantity, price and calculation against the original order.</p> <p>All goods and services will be checked against a delivery note, for quality and quantity. The check will be recorded (signed for) on the delivery note.</p> <p>2. The school will consider obtaining a school credit card. Where school expenditure is made outside of the school bank account, systems will be put in place to evidence independent authorisation of expenditure, record the committed expense in the school accounts prior to payment and record proof of receipt of goods in school.</p> <p><b>Responsible officer:</b></p> <p>School Business Manager/ Caretaker/Office staff/ Senior teachers/Governors</p> <p><b>Target date:</b></p> <p>Summer term 2019</p>









Ref	Finding	Risks	Risk category	Agreed action(s)
4.	<p><b>Payroll</b></p> <p><b>Objective</b> – To ensure the school has adequate control over its payroll costs and personnel data.</p> <p><b>Finding</b> – We tested Gross Monthly Pay relating to ten employees across the period from April 2017 to December 2018 to ensure that the Gross Monthly pay could be agreed to the master list of staff containing standard pay and grade details. For two employees, we were not able to reconcile the Gross Monthly Pay. For one employee, it was identified that the employee was contractually entitled to an additional monthly amount relating to extra hours worked. This was not included on the master list of staff. The monthly gross pay of the other member of staff was £141 less than that indicated on the master list. The school could not explain this variance at the audit visit.</p> <p>Given that the payroll costs account for a large amount of the school's budget, the financial guide for schools section 2.5 (Budget monitoring and control) states that it is essential that payroll costs are accurately calculated in preparing the budget and closely monitored thereafter. For each member of staff, the total cost should be compared to the school's salary estimates. There was no evidence that monthly salary monitoring against budget was completed.</p> <p>We selected ten school employees and asked to see their entry within the schools Single Central Record. One member of staff selected had been employed by the school for a period of four months at the date of the audit. The member of staff could not be located on the 'Staff' page of the Single Central Record. The school confirmed that all appropriate checks had been made, and the member of staff had previously been included on the register as a volunteer.</p>	<p>Payments to staff may be inappropriate or incorrect, resulting in financial loss to the school.</p> <p>There is a risk of error or fraud in the absence of independent checks over the monthly payroll reports.</p> <p>There is a risk that if the Single Central Register is not completed fully and in its entirety then the Schools will not be able to demonstrate it is meeting safeguarding requirements determined by the Department for Education.</p>	<p><b>Medium</b></p>	<p><b>Actions:</b></p> <p>The school will check and update the master list of staff to ensure that all contractual payments are included and that this report can be reconciled to monthly gross pay for each employee.</p> <p>The school will complete monthly salary monitoring to comply with the financial guide for schools.</p> <p>The school will review the Single Central Record and ensure that it contains an entry for all staff as required by the statutory guidance 'Keeping children safe in education' which is published by the Department for Education</p> <p><b>Responsible officer:</b></p> <p>School Business Manager/Office staff/Headteacher</p> <p><b>Target date:</b></p> <p>Summer term 2019</p>



Ref	Finding	Risks	Risk category	Agreed action(s)
5.	<p><b><u>Assets</u></b></p> <p><b>Objective</b> - To ensure that the school has adequate controls and records to safeguard its valuable/moveable assets and items of inventory.</p> <p><b>Finding</b> - A review of the school's inventory prepared by the school business manager in November 2018, found that the inventory was not complete. Some rooms listed on the inventory (the SEN room and store rooms) did not have any assets listed. Recent purchases of laptops and Ipads had not been added to the inventory. A review of the IT listed on the school's inventory found that insufficient details were recorded to comply with the Financial Guide for schools (no note of date of purchase, supplier or cost.)</p> <p>There was no evidence of annual review.</p> <p>The School confirmed that old school interactive whiteboards had been disposed in November 2017. Paperwork was not available to confirm what information had been provided to Governors at the time of disposal. Sufficient information should be provided for each item to comply with the financial guide for schools (individual asset description and approximate value).</p>	<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.</p>	<p><b>Medium</b></p>	<p><b>Actions:</b></p> <p>The Inventory will be updated with reference to the Barnet Schools Financial Guide, section 4.8 (Control of Assets).</p> <p>Annual check will be completed and recorded on the spreadsheet.</p> <p>The Inventory will be updated to include all IT assets.</p> <p>Sufficient information will be provided to Governors at the point of authorisation of disposal to separately identify each item and comply with the Financial Guide for schools.</p> <p><b>Responsible officer:</b></p> <p>School Business Manager /Headteacher/Governing Body</p> <p><b>Target date:</b></p> <p>Summer term 2019</p>
6.	<p><b><u>Tax</u></b></p> <p><b>Objective</b> – To ensure that the school has arrangements to comply with the statutory requirement on taxation, including VAT and PAYE.</p> <p><b>Finding</b> –The amount of budgeted income from sale of adult paid meals in 2018/19 is £340. Income from catering supplied to staff and visitors is Standard Rated for VAT. The VAT element of that income must be identified in the school's accounting system with the net amount only being credited to its Delegated Budget. A review of banking records showed that school meals had been supplied to school staff and staff had paid the school for meals. This information had not been correctly coded on the school accounting system and VAT due was not included on the</p>	<p>There is a risk of penalties by HM Revenue and Customs if the school fails to comply with VAT regulations.</p>	<p><b>Medium</b></p>	<p><b>Actions:</b></p> <p>The school will refer to the Barnet Schools Financial Guide, section 8 (Taxation).</p> <p>VAT due on income from catering will be paid.</p> <p>The school will ensure that VAT is not claimed unless a VAT receipt is available to support the reclaim.</p> <p><b>Responsible officer:</b></p> <p>School Business Manager/Headteacher</p> <p><b>Target date:</b></p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>VAT return in the correct period.</p> <p>A review of paid invoices and staff reimbursements found that the school business manager had been reimbursed for school expenditure each month in 2018/19. A staff reimbursement sheet had been completed showing VAT claimed on expenses for a mobile phone for the SEN department, Amazon purchases and B&amp;Q purchases. The VAT invoice or till receipt containing the supplier's VAT number to support the VAT claim had not been attached to the staff reimbursement sheet, however the VAT had been claimed on the school VAT return signed by the Headteacher each month.</p>			<p>Summer term 2019</p>
7.	<p><b><u>Contracts</u></b></p> <p><b>Objective</b> – To ensure that the School's purchasing, tendering and contracting arrangements achieve value for money</p> <p><b>Finding</b> – A current contract could not be found in school at the audit for the security contract with Securteam. A draft contract had been prepared dated 30 August 2018, but this had not been agreed and signed by the school. The security firm has been used by the school since 2012.</p>	<p>The school may be unable to prove that systems are in place to manage and monitor contracts, where a current contract is not available in school.</p>	<p><b>Low</b></p>	<p><b>Actions:</b></p> <p>Current contracts will be available in school for all contracts.</p> <p><b>Responsible officer:</b></p> <p>School business manager/Headteacher</p> <p><b>Target date:</b></p> <p>Summer term 2019</p>

## Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Risk rating	
<b>Critical</b> 	Critical issue where action is considered imperative. Action to be effected immediately.
<b>High</b> 	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.
<b>Medium</b> 	Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
<b>Low</b> 	Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
Level of assurance	
<b>Substantial</b> 	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.
<b>Reasonable</b> 	The standard of controls operating gives reasonable 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.
<b>Limited</b> 	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.
<b>No</b> 	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.

## Appendix 2 – Areas audited and analysis of findings

Area	Summary of Findings				
	Critical	High	Medium	Low	Advisory
Governance			1		
Financial Planning					
Budget Monitoring					
Purchasing			1		
Contracts				1	
Income					
Lettings					
Banking & Petty Cash		1			
Payroll			1		
Tax			1		
Voluntary Funds					
Assets			1		
Insurance					
Data Security					
Pupil Premium					
Safeguarding*					
Schools Financial Values Standard				1	

\*Scope limited to confirmation as to whether the school has completed a Safeguarding audit tool and whether any issues were noted over its Single Central Record

Timetable					
<b>Audit agreed:</b>	<b>Fieldwork commenced:</b>	<b>Fieldwork completed:</b>	<b>Draft report issued:</b>	<b>Management comments received:</b>	<b>Final report issued:</b>
20 November 2018	4 March 2019	5 March 2019	28 March 2019	4 April 2019	9 May 2019

### Appendix 3 – Review of Schools Financial Values Standard 18/19

LIST OF QUESTIONS	SCHOOL RESPONSE	AUDIT CONCLUSION FOLLOWING REVIEW OF COMMENTS AND EVIDENCE
<b>A: The Governing Body and School Staff</b>		
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	Agreed
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?	Yes	Agreed
4. Does the governing body receive clear and concise monitoring reports of the school's budget position at least three times a year?	Yes	Agreed
5. Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?	Yes	Agreed
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 –The teaching staff pay policy was not up to date
9. Has the use of professional independent advice informed part of the pay decision process in relation to the headteacher?	Yes	Agreed
<b>B: Setting the Budget</b>		
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?	Yes	Agreed
12. Does the school set a well-informed and balanced budget each year (with an agreed	Yes	Agreed

and timed plan for eliminating any deficit)?		
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 do they result from explicitly planned changes or from genuinely unforeseeable circumstances?	Yes	Agreed
<b>C: Value for Money</b>		
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	Agreed
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?	In part	Agreed
17. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?	In part	Agreed
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
<b>D: Protecting Public Money</b>		
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?	Yes	In Part – three findings 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	Refer to Findings/Recommendations Governance/Purchasing/Assets
22. Are all staff aware of the school's whistleblowing policy and to whom they should report concerns?	Yes	Agreed
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?	Yes	Agreed
24. Does the school have adequate arrangements for audit of voluntary funds?	Yes	Agreed
25. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?	In part	In Part – asset register was not complete

## **Appendix 4 – Internal Audit roles and responsibilities**

### **Limitations inherent to the internal auditor's work**

We have undertaken the review of Hasmonean Primary School, subject to the limitations outlined below.

#### **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### **Future periods**

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of management and internal auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.