

Internal Audit Report

MENORAH FOUNDATION SCHOOL


27 June 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 Menorah Foundation 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				
Limited 	Critical	High	Medium	Low	Advisory
	-	2	5	3	-

Background and Scope

The audit of Menorah Foundation School was carried out as part of the planned School audits for 2019-20. The audit review covered the period February 2018 to May 2019.

Menorah Foundation School is a Voluntary Aided school with 427 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2019/20 is £3,174,403 with employee costs of £2,533,464 (80% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in May 2015.

A review of the six recommendations reported in the previous audit report dated February 2016 found that four recommendations had been partially repeated (Governance, Purchasing, Banking, 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 two high, five medium and three low priority issues as part of the audit:

- Banking– The School Business Manager (SBM) who is responsible for the accounts was allowed to make payments from the school Bank account using HSBC online banking with sole authority. At the time of the audit, the SBM indicated that he was allowed to make payments from the school Bank account using HSBC online banking with sole authority with a limit of up to £5,000 per day. The Financial Guide for schools however states that sole authority by the person responsible for the accounts represents an unacceptable risk and should not be allowed. (High rated);
- Purchasing– There is a lack of evidence of separation of duties. Committed expenses which have not yet been invoiced are not recorded to allow accurate budget monitoring. Invoices 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. A debit card is in use in school. No debit card policy was available to confirm what paperwork should be available to support use of the school debit card. Signed debit card paperwork was not filed, for referral, to confirm school use, support VAT reclaims and to evidence the appropriate authorisation for purchase and payment. (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 27 members of staff employed on the school payroll, employed to provide teaching in Jewish studies. A debit card policy should be approved and included in the finance policy. A Lettings policy should be approved and included in the finance policy. Rules relating to the office Petty cash should be included in the finance policy. The Notice of Authorised Signatories was last updated in March 2016. There was no up to date document available at the audit to confirm authorised signatories in school. (Medium rated);
- Income– Paperwork was not available at the audit to confirm that the school collected all income due for school meals, and that this was banked, or transferred to the main school budget account from which school meal invoices were paid. The school was unable to provide a trips and journeys income record as required by the Barnet Financial Guide for schools. (Medium rated);
- Banking and Petty Cash– A second Petty cash account is administered by school administrators. There are no written controls or procedures relating to the transactions on this account. (Medium rated)
- Payroll – Although the business manager did have a signed contract detailing the new staff members hour and pay, there was no 'new staff member form' signed by the Head Teacher, also recording confirmation of the related week/hours applicable to the role, in regard to entering that staff member onto the payroll. Monthly monitoring of payroll against budget should be completed and reviewed. (Medium rated);
- Assets– The inventory has not been kept up to date. Annual review was not completed. Governors had not been asked to approve disposals. (Medium rated)
- Lettings– The school has lunchtime clubs run by outside organisers. There is no approved Lettings policy. No signed documents were available to confirm that the organisation agreed with the terms and conditions of hire. Insurance documents were not checked. (Low rated);
- Tax– VAT due on money received for staff meals has not been included on the VAT return. As paperwork had not been filed for all debit card payments, it could not be confirmed that a VAT invoice was available for each amount of VAT claimed. (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', 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):

A3: Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field? - The school has answered 'Yes', but the Notice of Authorised Signatories was last updated in March 2016. Since that date, the Headteacher, School Business Manager and three members of office staff included on the Notice of Authorised Signatories have left the school. There was no document in school to confirm current responsibilities in school.

A5: Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest? - The school has answered 'Yes', but there was no evidence of review of business interests of some members of staff. Governors had not been asked to sign on an annual basis to confirm business interests.

C14: 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? - The school has answered 'Yes', but evidence was not available at the audit to confirm the school response that comparisons were made with similar schools.

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 four findings from the previous audit has been repeated (Governance, Purchasing, Banking, 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 (Purchasing/Income/Banking/Payroll/Assets), which should be addressed to ensure procedures are as robust as possible.

D23: Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return? - The school has answered 'Yes', but the accounting system used does not include committed expenses.

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 up to date.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action(s)
1.	<p><u>Banking and Petty cash</u></p> <p>Objective – To ensure that the school has adequate control over its funds, with regular arrangements for reconciling bank and cash balances.</p> <p>Finding - At the time of the audit there was no up to date Notice of Authorised Signatories held in school.</p> <p>The current Finance policy states that ‘in exceptional circumstances’, the School Business Manager (SBM) can make payments for amounts totalling not more than £5000’.</p> <p>A review of transactions on the HSBC Bank statement showed regular individual payments to suppliers with value under £5000. The school confirmed that these were authorised by the School Business Manager.</p> <p>The Financial Guide for schools, section 1.2 (Delegation of responsibilities and authorised signatories), states that Schools may use internet banking and make electronic payments. However, the authorisation of payments must offer no lesser a degree of safeguard than cheque payments, with full documentation to give an audit trail of each transaction. Sole authorisation by the person responsible for the accounts represents an unacceptable risk and must not be allowed.</p> <p>The school business manager has sole responsibility for the accounting package and payment of invoices. The sole authorisation of transactions should not be allowed.</p> <p>The Headteacher confirmed at the end of the audit visit that the authority for sole processing of payments using the HSBC software had been removed from the school business manager’s HSBC account.</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>High</p>	<p>Actions:</p> <p>The school will immediately complete a revised Notice of Authorised signatories form for approval by the Governing Body which will be sent to the Local authority.</p> <p>The school will refer to Section 1.2 of the Financial Guide for schools and ensure that sufficient members of staff are included to allow for separation of duties, allow for absences, and ensure that the authorised signatories for cheque signing/BACs authorisation are reflected on the Bank Mandate.</p> <p>The ability for the school business manager to be the sole authoriser of electronic payments will be removed to embed segregation of duties in payments processes and ensure separate review/challenge and approval of all payments. Section 4 of the Financial Guide for schools gives more guidance on Internal Financial Control.</p> <p>Responsible officer:</p> <p>School Business Manager/ Headteacher/Governors</p> <p>Target date:</p> <p>Immediately</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
2.	<p><u>Purchasing</u></p> <p>Objective – To ensure that the School’s purchasing, tendering and contracting arrangements achieve value for money</p> <p>Finding - A review of current purchasing arrangements found:</p> <p>a) Purchase orders and invoices were being signed and bank transfers were authorised by the Headteacher for all purchases in our period of review (April 2018-March 2019). There was no evidence of separation of duties.</p> <p>b) The school is preparing purchase order forms for purchases ordered in school, however these are not entered into the accounting system. The school is therefore unable to provide a complete audit trail which allows an item to be traced from ordering through to payment of the invoice. Signed purchase orders are not held in a controlled manner. The school is also therefore unable to confirm the amount of committed expense, and accurate budget monitoring is not possible.</p> <p>c) 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>d) The school has a school debit card issued to the Headteacher that is used to purchase school supplies online. No approved debit card policy was available in school to confirm the procedures in place to control</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) 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> <p>iii) Fraudulent invoices could be raised (either by a staff member or an external body) and paid, in the absence of a purchase order and any independent verification of goods having been received;</p> <p>iv) Unchecked invoices may be passed for payment, where checks on the invoices are not noted, prior to passing for payment authorisation, this could lead to a loss to the school;</p> <p>v) Payments could be made by the School without receiving the goods/services, in the absence of proper verification of receipt;</p> <p>vi) There is a risk of penalties by HM Revenue and Customs if the school fails to comply with VAT regulations.</p>	<p>High</p>	<p>Actions:</p> <p>The School will ensure that a clear separation of duties is introduced to ensure that the same officer is not responsible for authorising the purchase order, invoice and cheque/payment for the same purchase.</p> <p>The school will ensure that a purchase order is raised for all relevant goods and services and this is approved by an authorised signatory. This expenditure will be recorded as a commitment to the school in a manner which allows the amount of committed expenditure to be accurately calculated to ensure optimal budget monitoring. An audit trail will be available which allows an item to be traced through from ordering through to payment of the invoice.</p> <p>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>The school will approve a debit card policy and use of the school debit card to ensure that all purchases are reviewed and executed in accordance with requirements as approved within the School’s Financial Management and Procedures Policy, ensuring at all times that a separation of duties exists between purchase order request, purchase order approval and online payment by debit card, sufficient</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>spending on the debit card and prove separation of duties for each transaction. A review of school procedures found that some purchase orders were raised for debit card purchases, but these were not entered into the accounting system and confirmation of receipt of goods was not recorded. The Chair of Governors had not been asked to authorise debit card payments made by the Headteacher. It was not possible to identify from retained paperwork whether the card had been used by the Headteacher, or by a member of staff with the Headteacher's authorisation. For one debit card transaction identified on the Bank statement, the associated invoice was not available on the paid invoice file, but was retained on the school business manager's email. The school should only reclaim VAT where it has a VAT invoice.</p>			<p>budget is available, a record is kept of delivery to the school and that approved purchase orders and debit card authorisation forms are retained for each purchase for independent review and scrutiny where necessary. VAT will not be claimed without a confirmed VAT receipt. Expenditure incurred by the Headteacher using the school debit card will be countersigned by the Chair of Governors.</p> <p>Responsible officer: School Business Manager/ Headteacher</p> <p>Target date: Immediately</p>
3.	<p>Governance</p> <p>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>Finding - 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 monthly to reimburse the school local authority account for the cost of 27 members of staff employed to provide teaching in Jewish Studies. The amount included in the 2019/20 budget is £721,886.</p> <p>b) A debit card is in use in school. The Governors must approve a debit card policy. This should be referenced and included as an Appendix to the Financial Management Policy.</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>	Medium	<p>Actions:</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. The monthly cost of salaries of staff employed by Governors will be calculated and a signed schedule will be available to support the transfer of funds into the bank account each month to fund the cost of employees.</p> <p>The school will approve a debit card policy (See High Priority finding – Purchasing) and lettings policy.</p> <p>The school will document rules and responsibilities of office staff responsible for operating a Petty cash account.</p>









Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>c) The school should approve a Lettings policy. This should be referenced and included as an Appendix to the Financial Management Policy.</p> <p>d) The Financial Management policy refers to one Petty Cash fund which is controlled by the school business manager and finance assistant. The accounting records show that a second Petty Cash fund is held in the school office under the control of the office staff, used to collect cash from sale of uniform. There are no written procedures to control these amounts.</p> <p>The Notice of Authorised signatories was last approved in March 2016. There was no up to date paperwork in school to confirm authorised signatories.</p>			<p>The school will immediately complete a revised Notice of Authorised signatories form for approval by the Governing Body which will be sent to the Local authority. (See High Priority finding – Banking)</p> <p>Responsible officer: School Business Manager/ Headteacher/Governing Body</p> <p>Target date: Summer term 2019</p>
4.	<p>Income</p> <p>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>Finding – Records were not available at the audit to confirm that the school collected all income due to the school for school meals, and that this was banked, or transferred to the main school budget account from which school meal invoices were paid. Budgeted income from sale of school meals in 2019/20 is £12,000.</p> <p>Our review of recent school records for contributions received from parents for school trips showed that the school was unable to provide a trips and journeys income record as required by the Barnet Financial Guide for schools. Reconciliation of money received for a school trip, including confirmation of amount of voluntary contributions not received was not reviewed by a senior member of staff before the trip record for trips that had already taken place were destroyed. Budgeted income from Outings, trips and swimming in 2019/20 is £14,000.</p>	<p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of independent checks to confirm amounts received.</p> <p>There is a risk of financial loss in the absence of a clear policy with allocated responsibilities about termination of service and collection of bad debt.</p>	Medium	<p>Actions:</p> <p>Strict income controls and procedures will be put in place to ensure effective financial management. Independent checks will be carried out to verify amounts banked/transferred agree to source records. Reference: The Barnet Schools Financial Guide, section 7 (Income collection and administration)</p> <p>Clear records of expected income and receipts will be maintained.</p> <p>An independent review of contributions received and outstanding against the expected amounts will be undertaken and signed off as evidence of review.</p> <p>Responsible officer: School Business Manager/Headteacher</p> <p>Target date: Summer term 2019</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
5.	<p><u>Banking and Petty cash</u></p> <p>Objective – To ensure that the school has adequate control over its funds, with regular arrangements for reconciling bank and cash balances.</p> <p>Finding A review of current banking arrangements found:</p> <p>A second Petty cash account is operating in school, under the control of office staff. There are no written controls or procedures relating to the transactions on this account. The school advised that this was used to collect income from sale of school uniform. Actual school uniform sales in 2018/19 were £4,565. Payments were made from the account, but we were not able to confirm whether Governors had approved this.</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>Medium</p>	<p>Actions:</p> <p>The school will document rules and responsibilities of office staff responsible for operating a Petty cash account.</p> <p>Responsible officer:</p> <p>School Business Manager/ Headteacher/Governing Body</p> <p>Target date:</p> <p>Immediately</p>
6.	<p><u>Payroll</u></p> <p>Objective – To ensure the school has adequate control over its payroll costs and personnel data.</p> <p>Finding –The school could not provide paperwork to confirm how the school business manager had been notified by the Headteacher of number of hours worked and number of weeks per year worked for a newly appointed member of staff. Although the business manager did have a signed contract detailing the new staff members hour and pay, there was no ‘new staff member form’ signed by the Head Teacher, also recording confirmation of the related week/hours applicable to the role, in regard to entering that staff member onto the payroll.</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>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>Medium</p>	<p>Actions:</p> <p>The school will ensure that signed paperwork is completed and filed to support each change notified to the school business manager which results in a change to school payroll.</p> <p>The school will complete monthly salary monitoring to comply with the financial guide for schools.</p> <p>Responsible officer:</p> <p>School Business Manager/Office staff/Headteacher</p> <p>Target date:</p> <p>Summer term 2019</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
7.	<p><u>Assets</u></p> <p>Objective - To ensure that the school has adequate controls and records to safeguard its valuable/moveable assets and items of inventory.</p> <p>Finding - A review of the school's inventory, found that the inventory was not complete. Recent purchases of projectors 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>Governors had not been asked to authorise disposal of old IT equipment.</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>Medium</p>	<p>Actions:</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>Responsible officer:</p> <p>School Business Manager /Headteacher/Governing Body</p> <p>Target date: Summer term 2019</p>
8.	<p><u>Lettings</u></p> <p>Objective – 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>Finding - The school premises are used by external providers to run lunchtime clubs for pupils. A charge is made for use of the building, but there were no complete records to confirm the amount of Letting income.</p> <p>The school does not have a Lettings policy approved by Governors.</p> <p>No signed documents were available to confirm that the organisation agreed with the terms and conditions of hire.</p>	<p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of;</p> <p>-Clear audit trails and records for all income due/received.</p> <p>There is a risk that without comprehensive agreements, disputes and misunderstandings may occur without any point of reference by which to resolve them.</p> <p>The school may be unable to reclaim from hirers the cost of any damage to the school if they do not hold adequate insurance.</p>	<p>Low</p>	<p>Actions:</p> <p>The Lettings procedures will be reviewed with reference to the Barnet Schools Financial Guide, section 7.9 (Lettings Policy and Administration).</p> <p>Invoices will be raised for each letting. These will be listed on a spreadsheet which will be updated to include date and method of payment. The control schedule will be signed as evidence of review on a regular (at least termly) basis.</p> <p>Insurance arrangements will be checked for those hirers stating that they hold their own insurance. Signed agreement to the Hiring Policy conditions will be held for all regular users of the school premises.</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>At the audit, we could not confirm that the school held proof of current insurance for all parties using the school premises.</p>			<p>Responsible officer: School Business Manager/Headteacher</p> <p>Target date: Autumn term 2019</p>
9.	<p>Tax</p> <p>Objective – To ensure that the school has arrangements to comply with the statutory requirement on taxation, including VAT and PAYE.</p> <p>Finding –The amount of income from sale of adult paid meals in 2018/19 is £1,213. 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 VAT 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 VAT return in the correct period.</p> <p>Invoices relating to debit card payments were not consistently printed out and retained on file which in our view would improve the administration of VAT claims and furnishing of proof of VAT claimed to HMRC, where applicable.</p>	<p>There is a risk of penalties by HM Revenue and Customs if the school fails to comply with VAT regulations.</p>	<p>Low</p>	<p>Actions:</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>Responsible officer: School Business Manager/Headteacher</p> <p>Target date: Summer term 2019</p>

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

Risk rating	
Critical 	Critical issue where action is considered imperative. Action to be effected immediately.
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.
Medium 	Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
Low 	Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
Level of assurance	
Substantial 	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.
Reasonable 	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.
Limited 	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 	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					
Income			1		
Lettings				1	
Banking & Petty Cash		1	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					
Audit agreed:	Fieldwork commenced:	Fieldwork completed:	Draft report issued:	Management comments received:	Final report issued:
10 December 2018	7 May 2019	8 May 2019	21 May 2019	22 May 2019	27 June 2019

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

LIST OF QUESTIONS	SCHOOL RESPONSE	AUDIT CONCLUSION FOLLOWING REVIEW OF COMMENTS AND EVIDENCE
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	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	The Notice of Authorised signatories was not up to date
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	No Business Interests forms for some staff. Governors do not sign forms.
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	Agreed
9. Has the use of professional independent advice informed part of the pay decision process in relation to the headteacher?	Yes	Agreed
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?	In part	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 and timed plan for eliminating any deficit)?	Yes	Agreed
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
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?	Yes	Agreed
17. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?	Yes	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
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?	Yes	In Part – four 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 Purchasing/Banking/Income/Payroll/ 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	The accounting system does not include committed expenses
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?	Yes	In Part – asset register was not up to date
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Appendix 4 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Menorah Foundation 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.