

Griffin

Chartered Accountants

Internal Audit Report

Learning Academy Partnership (South West)

Purchases

Visit date: 15 February 2024
Issued by: Lucy Harris-Deans



Learning Academy Partnership (South West)

1. Basis of the report

The Academy Trust Handbook requires that all Trusts have a process in place for checking its financial systems, controls, transactions and risks. One of the options laid out for fulfilling this requirement is for the Trust to appoint an internal auditor and it is in this capacity that we are making this report.

Timetable of work

Griffin will carry out three visits to the Trust in order to fulfil these obligations, one in the Autumn Term, one in the Spring and one during the Summer term.

Over the course of the year our work will cover the following key areas:

- Internal control framework.
- Governance and regularity.
- Anti-fraud framework.
- Payroll, recruitment, and selection.
- Financial budgeting and monitoring.
- Bank reconciliations.
- Risk management.


Our work will establish the existing systems that the Trust has in place, test whether these systems are being followed and make suggested improvements.

Work completed 15th February 2024

Purchases

- Review of financial procedures manual.
- Review of bank reconciliations.
- Segregation of duties.
- Staff expense claims.
- Charge card controls.
- Controls testing on a sample of purchases.
- Tender review process.

2. Update on previous findings

Finding	Recommendation	Priority	Management Response
Anti-Fraud Framework			
<p>1.</p> <p>Staff Expense Claims</p> <p>The Trust paid for the upgrade of a staff members' personal car insurance to include business use.</p> <p>The 45p per mile paid to staff to cover business miles travelled is intended to take into account the additional costs associated with business use. Therefore, this is not an appropriate use of public funds.</p>	<p>We recommend that going forward the Trust ensures all staff expense claims are an appropriate use of public funds. They should specifically ensure they do not reimburse any staff members for adding business insurance to their policy, as such additional costs are wrapped up in the 45p per mile they receive when travelling anyway.</p> <p>Update December 2023: We will provide an update on this point at a future visit when covering 'Anti-fraud framework'.</p> <p>Update February 2024: No business insurance reimbursements were identified as part of expense claim testing, However, there was a notable lack of detail on documentation supporting 2 of the staff claims tested. This makes it unclear as to the nature of the purchase. Therefore, the recommendation has changed.</p>		<p>Management Response June 2023: Agreed. The total paid for upgrading staff members insurances to cover business use was £61.06, for two members of staff. We are in the process of recouping these amounts from both staff members.</p> <p>Going forwards the Trust will not offer to cover the upgraded cost, in any circumstances.</p> <p>Management Response Feb 2024: Agreed. The lack of detail regarding mileage claims was internally identified at the beginning of January. We have since circulated an updated document stressing the importance of specifying the origin and destination of travel. Line managers have been instructed to approve claims only if this information is provided.</p>

		<p>We acknowledge that the academy has already implemented stricter procedures when approving expense claims, allowing claims to be rejected without sufficient supporting receipts. We would also suggest that any additional narrative provided by the claimant be documented on the claim to support the reason for reimbursement.</p>	<p>For expenses not processed through payroll, the Operational Finance Lead will now also authorise claims, as well as budget holders/line managers. This adjustment will ensure that all claims are fully compliant and include the necessary detail before processing. Line managers have also been reminded about their responsibilities to review receipts.</p>
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3. Work completed

	Work completed	Result	Conclusion
Internal Control Framework, Anti-Fraud Framework and Bank Reconciliations			
1.	<p>Review financial procedures manual</p> <p>We obtained a copy of the academy's financial procedures manual and reviewed the following key areas:</p> <ul style="list-style-type: none"> - Segregation of duties. - Scheme of delegation limits. - Budget holders and their spend limits. - Purchases and payments procedure. - Tendering process. - Process for changing supplier bank details. 	<p>The finance policy offers a thorough and robust set of processes. It clearly explains the authorisation requirements for different stages of the purchasing process.</p> <p>There is a separate document detailing the authorisation limits for purchases and payments and those able to authorise purchases of different values. This is easy to digest and ensures that the larger expenses require more people to authorise the purchase.</p> <p>There is also evidence of budget holder list being regularly reviewed and updated.</p>	No issues to note.

<p>2.</p>	<p>Substantive testing of purchases</p> <p>A sample of purchases were selected at random from the system and traced through to ensure the financial procedures and key controls were being applied in accordance with our understanding. This included:</p> <ul style="list-style-type: none"> - Ensured that a requisition form was completed and authorised as required by finance policy. - Ensured a signed purchase order was in place for each transaction. - Confirmation that the purchase order had been signed off and the budget holder is acting within their purchasing limits. - Confirm the purchase is within budget. - Ensured the purchase is appropriate having regard to value for money and regularity. - Agreed to supplier invoice. - Confirmation VAT treatment is correct. <p>Confirm BACS run authorisation appropriate and in line with financial procedures.</p>	<p>From the sample of purchases tested, purchase orders existed where requested and there was evidence of all being signed and authorised by the appropriate budget holders. This included :</p> <ul style="list-style-type: none"> - evidence of second authorisation for purchases above budget holder approval limits. - For purchases raised that had not been paid or were cancelled, the value of the expense agreed to the credit note raised to remove the expense from the system. This had been correctly raised by the finance team. <p>Requisition forms had also been correctly completed and authorised for non-central purchases.</p> <p>The purchases tested were appropriate for the education of children and had the correct VAT treatment.</p> <p>The BACs run had been completed and reviewed in line with the finance policy and had been authorised by two bank signatories as required.</p>	<p>No issues to note.</p>
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3.	<p>Tendering and procurement procedures</p> <p>The tendering and procurement process was reviewed as part of the work on the financial procedures manual. A sample of larger expenditure items were then tested to ensure that the tendering process was being effectively put into practice.</p>	<p>For the sample selected, none had the correct number of quotes as stipulated in the academy's finance policy. However, confident that value for money has been achieved in 5 of these instances. Proof obtained that the alternative methods of obtaining the equipment/ contracts has enabled the academy to obtain the best price.</p>	<p>No issues to note.</p>
4.	<p>Bank reconciliation</p> <p>Two months were selected at random, and the bank reconciliations were reviewed to confirm:</p> <ul style="list-style-type: none"> - The reconciliation has been completed. - There are no old items that need investigating. - There is evidence of the reconciliation being reviewed. 	<p>The October 2023 and January 2024 bank reconciliation were reviewed. There were no old reconciling items outstanding, and both had been reviewed by the Operational Finance Lead.</p>	<p>No issues to note.</p>
5.	<p>Segregation of duties</p> <p>Reviewed the access of different staff members to the academies financial system, as well as the authorisation levels with respect to bank payments.</p>	<p>No individual staff member has the authority to carry out all stages of the purchase process. Whilst the CFO and CEO are able to authorise the majority of the process, there are additional procedures in place to prevent individuals raising and authorising the same transaction.</p>	<p>No issues to note.</p>

6.	<p>Staff expense claims</p> <p>A sample of staff expense claims were reviewed to ensure:</p> <ul style="list-style-type: none"> - the academy's financial procedures are being followed. - Claims are within budget and appropriately authorised. - Expenditure is appropriate. - There is sufficient supporting documentation. 	<p>A sample of five staff expense claims were tested. Each one had been authorised by the appropriate budget holder. Enquiry with staff confirmed that the expenses were for educating children. However, two expense claims did not have sufficient supporting documentation.</p> <p>As per section 2.27 of the academies financial handbook the academy trust must be able to show funds have been used as intended by parliament.</p>	<p>See recommendation in Section 2.</p>
7.	<p>Charge cards</p> <p>We obtained a list of the academy's charge card holders and reviewed a sample of charge card transactions to ensure that expenditure is in line with academic purposes.</p>	<p>As budget holders, each Head of School has a charge card. Department managers, such as estates, people team, finance, as well as management personnel, including CFO and CEO, have cards. This is included in the finance policy along with each individual's credit limit.</p> <p>From the sample selected, purchase forms for charge card expenditure had been completed and authorised in line with scheme of delegation. Expenditure was in line with academy objectives and agreed to supporting invoices.</p>	<p>No issues to note.</p>

4. Recommendations

From our testing of the systems and controls around the response to payroll, recruitment and selection, we have not identified any recommendations. This is testament to the Trust Operational Finance Lead and his team.

Report Priority rating

	Fundamental findings that need the immediate attention of management
	Important findings that require management attention, but are not fundamental in nature
	Minor issues that can be improved or administrative errors that require correcting
	The issue has been resolved