

Griffin

Chartered Accountants

Internal Audit Report

Learning Academy Partnership (South West)

Internal control framework, budgeting and governance and regularity

Visit date: 6 December 2021

Issued by: Ryan Bunn



Learning Academy Partnership (South West)

1. Basis of the report

The Academy Trust Handbook requires that all Trusts have in place a system for checking its financial systems, controls, transactions and risks. One of the options laid out for fulfilling this requirement is for the academy 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 school in order to fulfil these obligations, one in the Spring Term, one in the Autumn and one during the Summer term.

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

- Payroll
- Income and cash receipts
- Fixed assets
- Financial budgeting and monitoring
- Regularity
- Governance
- Risk management
- Recruitment & Selection
- Internal control framework
- Anti-fraud framework

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

Work completed 6 December 2021

Governance and regularity

- Walkthrough testing of ESFA grant income
- Compliance with the Academy Trust Handbook
- Review of leases
- Trustee interests and related parties
- Gifts, hospitality, and awards
- Governance details provided on school website




Financial budgeting and monitoring

- Trustee approval of school budget
- Financial information provided to Trustees
- Evidence of financial challenge by Trustees
- Timely submission of ESFA returns
- Finance Committee meeting frequency and appropriate review
- Management accounts frequency and quality

Internal control framework

- Walkthrough of purchase systems
- Controls testing on a sample of purchases
- Tender review process
- Segregation of duties
- Review of bank reconciliations
- Supplier change of bank details procedure

2. Update on previous findings

Finding	Recommendation	Priority	Management Response
Internal control framework			
1.	<p>In the financial policy there is currently no official guidance around the due diligence checks required when a change of supplier details is requested.</p>	<p>We recommend that the financial policy is updated to ensure that it includes the necessary procedure for updating existing supplier details when a change request is received.</p> <p>This is particularly important if the change is around bank details, because this is a method of fraud which a number of academies have fallen victim too.</p> <p>From discussion with the finance team, appropriate due diligence tests are undertaken in practice. However, this is not officially documented as a required procedure, which could cause issues if there was a change in personnel.</p>	<div style="text-align: center;">    </div> <p>When supplier's change bank details, we follow a set procedure and complete a form with the relevant details to confirm due diligence has taken place before details amended.</p> <p>The financial internal procedures and policy will be updated to reflect the current practice.</p> <p>Update December 2021 The financial procedures manual has been updated to reflect the current practice.</p>

3. Work completed

	Work completed	Result	Conclusion
Financial budgeting and monitoring			
1.	<p>Financial information provided to Trustees We reviewed the financial analysis and accompanying commentary provided to Trustees at board meetings.</p>	<p>The reports provided by the Trust Finance Manager give a clear picture of the trust's finances. The actual results are clearly compared against the budget. A reserves summary per school is also provided.</p> <p>This allows Trustees to clearly identify the position of the trust as a whole, as well as each individual school.</p>	No issues to note.
2.	<p>Evidence of challenge from Trustees Reviewed the meeting minutes from the most recent finance meeting for evidence that the financial performance was subject to challenge from the Trustees.</p>	<p>Finance meeting minutes were reviewed and there is evidence that the month end reports were discussed and challenged where expected.</p>	No issues to note.

3.	<p>Finance, Audit and Risk committee meeting frequency and ESFA returns</p> <p>Confirm that the Finance, Audit and Risk committee has met at least termly and all ESFA returns have been submitted in a timely fashion. For the budget forecast, confirm the figures submitted agree to the budget authorised by Trustees.</p>	<p>The Finance, Audit and Risk committee will meet four times during the academic year and all ESFA returns have been submitted on time and agree to the underlying information.</p>	<p>No issues to note.</p>
4.	<p>Senior Leadership team budget awareness</p> <p>The Academy Trust Handbook requires that SLT are informed on a monthly basis of the financial position of the schools within the trust. The idea of this requirement is to put a financial context on the decisions that leadership are making for the school.</p>	<p>Budget monitoring reports have been produced at least monthly and any key areas are highlighted and discussed.</p>	<p>No issues to note.</p>
5.	<p>Management accounts frequency</p> <p>It is a requirement of the Academy Trust Handbook that management accounts are prepared on a monthly basis. These should consist of income and expenditure, balance sheet, budget variance reports, cash flow forecasts and sufficient information to manage cash, debtors and creditors, and should be shared with the Chair of Trustees every month and other Trustees six times a year.</p>	<p>Monthly management accounts have been prepared and agree to the underlying data.</p> <p>The monthly management accounts have been shared with the Chair of Trustees, Chair of Finance & the Accounting Officer. The Trust Finance Manager has confirmed that the information will be shared with Trustees six times in 2021/22.</p>	<p>No issues to note.</p>

Governance and regularity			
1.	<p>Leases Obtain copies of all leases taken out during the year and consider whether they are finance or operating leases.</p>	There were no new leases taken out in the period tested.	No issues to note.
2.	<p>Gifts & hospitality policy Ensure a policy in place for the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgment or integrity and that staff been made aware if this policy.</p>	A policy is in place and staff are made aware of it during their induction and is accessible on the staff portal. When the policy is reviewed, if there are changes, an up-to-date copy is distributed to all employees via the staff portal.	No issues to note.
3.	<p>Declaration of interests Ensure all Trustees have declared any related party interests and that the details are published on the school website.</p> <p>Review Companies House directorships for any additional undeclared interests.</p>	<p>When reviewing the Trustees declaration of interests, it was identified that two Trustees had not completed and signed their related party interest forms in line with ESFA requirements.</p> <p>One of the Trustees had IT issues and has been posted a paper form. This trustee has completed declarations of interest forms in the past. From a search at Companies House, we have not identified any new pecuniary interests. Therefore, there is no reason to believe that the register of interests is not complete for this Trustee.</p> <p>When questioned with the Finance Manager, she confirmed that the other Trustee has not attended meetings or participated in the role since being appointed. The Chair has, therefore, asked him to resign.</p>	See section 4.

4.	<p>Members independence</p> <p>Ensure that the majority of the members are independent of the board of Trustees as per the DfE's recommendation in the Academy Trust Handbook 2021.</p>	<p>There are currently four serving Members, of which all are independent from the Board of Trustees. It is the ESFA strong preference that there are five serving members.</p>	<p>See section 4.</p>
5.	<p>Related Party transactions</p> <p>Obtain evidence that any related party transactions have been properly authorised. If the amount of the transaction exceeds £2,500 obtain a copy of the statement of assurance required by the 'at cost' requirement set out in the Academy Trust Handbook.</p> <p>For any related party transactions since 1 April 2019 ensure the school has notified the ESFA using the online form. If the transaction is over £20,000 ensure that prior approval was obtained from the ESFA.</p>	<p>There were no related party transactions during the period tested.</p>	<p>No issues to note.</p>
6.	<p>Governance structure</p> <p>As per section 2.48 of the Academy Trust Handbook, ensure the trust has published up-to-date details on its website of its governance structure.</p>	<p>An up-to-date governance structure can be found on the schools' website.</p>	<p>No issues to note.</p>

7.	<p>Staff members serving as Trustees</p> <p>Ensure that no staff members, other than the Academy CEO/Head teacher, are on the Board of Trustees as per the DfE's strong preference in the Academy Trust Handbook 2021.</p>	<p>Other than the CEO, there are no staff members serving as Trustees. This is in line with the DfE's strong preference.</p>	<p>No issues to note.</p>
8.	<p>Board performance and effectiveness</p> <p>Ensure that there are appropriate procedures in place to evaluate the Board's performance.</p>	<p>The Board has regular discussions about the general skills of the individual Trustees to determine the most effective use of each Trustee's skills and experiences. A skills audit is also completed annually to evaluate the Boards performance.</p>	<p>No issues to note.</p>
9.	<p>Provision of information</p> <p>As per section 2.53 of the Academy Trust Handbook, the trust MUST notify the DfE via Get Information About Schools of changes in members, Trustees and local governors as well as chair of Trustees, accounting officer and chief financial officer. The DfE need to be notified within 14 days of any changes.</p>	<p>Get Information About Schools was up to date at the time of testing.</p>	<p>No issues to note.</p>

10.	<p>Information on the Academy Trust's website</p> <p>Review of the Trust's website, to ensure the following information is available:</p> <ul style="list-style-type: none"> - Names and appointment date for Members and the Board of Trustees, it's Committees and names of the Chairs of each. - Pecuniary interests of Members and Trustees - Trustee attendance records at Board and Committee meetings over the last academic year. - A copy of the audited financial statements for the year ended 31 August 2021. - Staff with benefits paid greater than £100,000 individually disclosed on the website. - Meeting minutes, agenda and any document referred to in the minutes. 	<p>Names of Trustees and Members, pecuniary interests of Trustees and members, attendance records for 2020/21 and a copy of the financial statements for 31 August 2020 are all available on the Trust's website.</p> <p>Details of Committees and individual school's local governing bodies have been made available on the Trust's website.</p> <p>The Trust has disclosed the necessary disclosure of the staff with benefits received greater than £100,000 on the website.</p> <p>Meeting minutes are available upon request.</p>	No issues to note.
11.	<p>Staff severance payments</p> <p>For any staff severance payments, ensure they have been made in line with the requirements of the Academy Trust Handbook.</p>	No staff severance payments have been made since the August 2021 year end.	No issues to note.
12.	<p>Governance professional</p> <p>Ensure that the Trust has a governance professional to support the Board of Trustees who is not a Trustee, Principal or Chief Executive.</p>	Karen Barnett is the Trust's governance professional and therefore the Trust is compliant with the Academy Trust Handbook.	No issues to note.
13.	<p>External Audit Tender</p> <p>The Academy Trust Handbook states that a retender should be completed at least every five years for the external audit.</p>	We have obtained confirmation that the Trust is currently in the process of retendering for their external auditor.	No issues to note.



14.	<p>Dear Accounting Officer</p> <p>The Academy Trust Handbook states that the Accounting Officer must share the letter with its Members, Trustees, CFO and Senior Leadership Team and arrange for the Board to discuss it and take action if necessary.</p>	We have reviewed the meeting minutes issued and obtained evidence of the discussion.	No issues to note.
Internal Control Framework			
1.	<p>Review financial policy</p> <p>We obtained a copy of the school's financial policy 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 - Income procedures - Debt recovery - Process for changing supplier bank details. 	The finance policy is comprehensive in covering the areas we reviewed. Segregation of duties is clearly laid out in a table and it is clear the academy has made efforts to follow best practice. The Finance Manager was aware of the contents of the policy and appeared confident in applying the controls regarding payroll appropriately.	No issues to note.

2.	<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"> - Ensure a signed purchase order was in place for each transaction - Confirmation the purchase order had been signed off and the budget holder is acting within their purchasing limits - Confirm the purchase is within budget - Ensure the purchase is appropriate having regard to value for money and regularity - Agree to supplier invoice - Confirm VAT treatment is correct - Confirm BACS run authorisation appropriate and in line with financial procedures 	<p>All of the purchases tested had a signed purchase order in place, where expected, which had been authorised correctly in line within the budget holder's purchasing limits.</p> <p>The purchases were appropriate for the education of children and were in line with the school's budget.</p> <p>The authorisations of BACS runs were appropriate and in line with the school's financial policy.</p>	No issues to note.
3.	<p>Tendering procedures</p> <p>A sample of purchases over the limit for obtaining quotes or full tender tested to ensure that the processes were being effectively put into practice.</p>	<p>The school's Procurement and Tendering Policy requires the 'best value approach' for purchases under £5,000. Three written quotes are required for purchases over £5,000 up to the value of £75,000. The full tender process is required for purchases over £75,000. However, there were no purchases over £5,000 from September 2021 to the date of the audit. Therefore, it was not possible to test this process.</p>	No issues to note.





4.	<p>Bank reconciliation</p> <p>One month was selected at random and the bank reconciliation 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>For the month tested, the bank reconciliation was completed in a timely manner. There were outstanding reconciling items, and the reconciliation was reviewed and signed off by the finance assistant and finance manager.</p>	<p>No issues to note.</p>
5.	<p>BACS run authorisation levels and procedures</p> <p>Reviewed the process for paying suppliers, including authorisation limits and segregation of duties. We then tested a sample of purchases to ensure that the procedures were being adhered to.</p>	<p>The school has well established BACS payment procedures that ensure segregation of duties wherever possible. The dual authorisation of bank payments also serves as a useful backstop to ensure that, even if other processes fail, no payment can be processed by one member of staff alone.</p>	<p>No issues to note.</p>

6.	<p>Segregation of duties</p> <p>Reviewed the access of different staff members to the school's financial system, PSF, as well as the authorisation levels with respect to bank payments.</p>	<p>Clear segregation of duties is in place. The finance assistants are able to post purchase orders and set up new suppliers on PSF, but cannot run a BACS payment run.</p> <p>There are not any staff members who are able to create and authorise payments by themselves, as all BACS runs require dual authorisation.</p> <p>The CEO, CFO, Director of Education, HR Manager and Finance Manager are the only individuals who can authorise BACs payments online.</p>	<p>No issues to note.</p>
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4. Recommendations

Finding	Recommendation	Priority	Management Response
Governance and regularity			
1.	When reviewing the Trustees declaration of interests, it was identified that one Trustee did not have his pecuniary interests included on the register of interests. We understand that this Trustee has not attended meetings or participated in the role since being appointed. The Chair has, therefore, asked him to resign.	It is recommended that all declarations of interest are completed and signed by the Trustees when they are first appointed. The Trust is currently unaware of this Trustee's pecuniary interests, so could inadvertently have an related party transaction.	 <p>The Trustee has received a formal letter with a deadline of 17/12/2021 to respond, if no response as a Foundation Trustee, Eden will request his resignation.</p>
2.	There are currently four serving Members, of which all are independent from the Board of Trustees. It is the ESFA strong preference that there are at least five serving members.	Although four members in enough to be compliant with the 'must' requirements in the Academy Trust Handbook, it is recommended that the Trust recruits an additional member, in line with the DfE's strong preference.	 <p>We are currently actively recruiting a fifth member.</p>

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 good practice recommendations
	The issue has been resolved