



devon**audit**partnership

Schools and Academies

## Internal Audit Report

# Key Financial Systems Review 2019/20

Learning Academy Partnership

June 2020

CUSTOMER  
SERVICE  
EXCELLENCE



Support, Assurance & Innovation

## **Devon Audit Partnership**

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Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid-Devon, South Hams & West Devon, Torridge and North Devon councils and we aim to be recognised as a high quality public sector service provider.

We work with our partners by providing professional internal audit and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (PSIAS) along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all. If you have any comments or suggestions on our service, processes or standards the Head of Partnership would be pleased to receive them at [Robert.Hutchins@devonaudit.gov.uk](mailto:Robert.Hutchins@devonaudit.gov.uk)

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the Local Authority, the report itself should only be copied, circulated or disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## 1 Introduction

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The Board of Trustees has overall responsibility for the management of the Academy Trust with a view to promoting high standards of educational achievement as well as ensuring that high standards of corporate governance are also maintained.

Operational management is delegated to the CEO as Accounting Officer who with the Chief Finance Officer of the Trust, are in practice responsible for the internal organisation, management and control of the Trust and the implementation of related policies approved by the Trustees.

The Board of Trustees has the responsibility to monitor and check the operation of the financial management arrangements that have been established and are operated by officers of the Academy Trust. To assist with this Devon Audit Partnership has been appointed by The Trust to provide an independent assurance of the control framework in accordance with the latest Academies Financial Handbook.

In accordance with these requirements, this key financial systems review was completed on 26<sup>th</sup> June 2020. However, due to Covid-19, we have had to adjust our audit delivery, resulting in the majority of this review being undertaken remotely. Our opinions given in this report is therefore based on a combination of on-site visits (mainly to review governance), telephone discussions and remote evaluation of the systems and controls reviewed and the results of testing a restricted sample of transactions. Our overall opinion is described below, and the table in Appendix A1 shows the level of assurance given in respect of each of the areas reviewed

## 2 Audit Opinion

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Our opinions are based on the evaluation of system controls, remote review of documentary evidence and the results of testing a sample of transactions. Our overall opinion for the Trust is as follows:

**High Standard** - The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place, and no recommendations have been made.

The table in Appendix A1 shows the level of assurance we can give in respect of each area reviewed.

A definition of the different audit assurance opinion levels is given in Appendix B of this report.

## 3 Executive Summary

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The remote audit of 2019/20 undertaken identified that the Trust continues to have a robust financial management control framework in place, in respect of the areas reviewed, enabling a high level of assurance to be given in all areas and overall: this is despite the recent staffing changes within the Trust, and this is much to the credit of those staff involved. There are no recommendations that need to be made at this review, which is testament to the Trust, and everyone involved. The detailed findings for each of the areas are described in Appendix A2.

Definitions of the assurance opinions are provided in Appendix B to this report.

#### **4 Issues for the Annual Governance Statement**

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The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

There are no issues identified from this review that need to be included in the Trustees' Annual Governance Statement.

#### **5 Scope and Objectives**

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The Trust has been audited against the Charity Commission's CC8 - Internal Financial Control for Charities and CC26 - Risk Management for Charities publications, and assurances provided from discussion, review and testing of a sample of primary records, ensuring compliance with the financial control and risk management frameworks.

Effective financial management is essential so that academies can make the most of their resources, demonstrating value for money, exercise proper controls over significant amounts of public money delegated to them, and allocate resources effectively to meet priorities for development and improvement.

The final report will be copied to the Chair of the Audit Committee and should be considered by the Committee or other appropriate committee of the Board of Directors. Assurance opinions are summarised in the table in Appendix A1 below.

The Audit Committee and CEO, as Accounting Officer should jointly acknowledge any comments and return a copy to Alexis Saffin, ([alexis.saffin@devonaudit.gov.uk](mailto:alexis.saffin@devonaudit.gov.uk)) within 4 weeks.

#### **6 Inherent Limitations**

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The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

#### **7 Acknowledgements**

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We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit review.

**Robert Hutchins**  
**Head of Audit Partnership**

## **Assurance Opinion on Specific Sections**

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The following table summarises our assurance opinions on each of the areas covered during the audit. These combine to provide the overall assurance opinion at section 2. Definitions of the opinions can be found in Appendix B.

<b>Areas Covered</b>	<b>Level of Assurance</b>
Risk Management	<b>High Standard</b>
Governance, Accounting and Financial Control	<b>High Standard</b>
Anti-Fraud	<b>High Standard</b>
Website and Policies	<b>High Standard</b>
Purchasing and Payments	<b>High Standard</b>
Debtors and Debt Management	<b>High Standard</b>
Payroll	<b>High Standard</b>

## Detailed Audit Observations and Action Plan

Risk Management	Level of Assurance
<p><b>Opinion Statement</b></p> <p>The Learning Academy Partnership risk management framework was found to be sound, including an up to date comprehensive risk management strategy and policy, risk register, and within the governance structure there is clear communications lines and reporting mechanisms to the Board, through the Finance and Audit Committee. There is also good evidence of consideration of this risk being embedded in decision making within the Trust.</p> <p>The risk registers were considered to be well structured, and includes risks, mitigating controls, scoring of risks, as well as management actions and risk owner assigned, and there was also good evidence of the risk register being subject to regular review. This has enabled the Auditor to offer high standard level of assurance in this area.</p> <p>The Trust is currently looking at purchasing risk management software, to improve the efficiency of risk management and streamline the updating / maintenance of risks registers, which is currently spreadsheet based.</p>	<p><b>High Standard</b></p>
Governance, Accounting and Financial Control	Level of Assurance
<p><b>Opinion Statement</b></p> <p>The audit reviewed the scheme of delegation which encompasses the governance structure, Board terms of reference, finance policy, financial procedures, and the scheme of delegation, which should set out the financial framework of the LAP. The financial policy and scheme of delegation were found to be fully comprehensive and provide a clear record of financial management delegation and minimum standard protocols. Terms of reference have been established for all sub committees and local committees within each of the member schools, which details delegation / roles. These too were found to be comprehensive.</p> <p>A review of the Trust's bank reconciliations confirmed that the processes in place are sound overall. Bank reconciliations take place on a regular basis.</p> <p>Governors minutes were found to be comprehensive, and clearly record key decisions, business and there is good evidence of challenge.</p> <p>The budget monitoring framework continues to be strong, and this is despite the recent changes in personnel. The Trustees are provided with monthly comprehensive financial reports which include a monthly trust overview and benchmarking, individual budget monitors for each setting, cashflow forecast, debtors and creditor information which enable them to undertake decision making on behalf of the Trust. All of these measures are considered essential to enable the Trust to be financially well managed thus a high standard of assurance being given in this area.</p>	<p><b>High Standard</b></p>

<b>Anti-Fraud</b>	<b>Level of Assurance</b>
<p><b>Opinion Statement</b>  The fraud framework continues to be robust, with all recommended policies being up to date and subject to regular review, there is good separation of duties in place and there is a good level of awareness amongst staff as to the fraud risk. Other measures include up to date and signed registers of business interests and code of conducts being in place for all directors, members and senior members of staff of the Trust.</p> <p>Hence, high standard assurance can be given in this area.</p>	<p><b>High Standard</b></p>

<b>Website and Policies</b>	<b>Level of Assurance</b>
<p><b>Opinion Statement</b>  Review of the MAT's website found it to be up to date, and compliant with the Academies Finance Handbook, and DfE requirements.</p> <p>All the statutory and mandatory policies were also found to be in place, and all policies required to be published on the website were found to have been published.</p>	<p><b>High Standard</b></p>

<b>Purchasing and Payments</b>	<b>Level of Assurance</b>
<p><b>Opinion Statement</b>  The assurance provided in this area has been limited to a remote review of the financial control framework around the processing and authorisation of orders and invoices in PSF, and processes around securing value for money for larger purchases. Controls around BACS processing, use of the corporate credit cards and petty cash have not been reviewed at this audit. This is due to the majority of the audit being undertaken remotely.</p> <p>Testing of a sample of transactions across both schools in the MAT covering these areas confirmed that the control framework is sound overall, including, good authorisation controls in place and clear evidence of separation of duties. Furthermore, there were 4 transactions reviewed which were subject to value for money processes, due to their value, and there was good evidence held to support the quotation / tendering process enabling a high level of assurance to be given.</p>	<p><b>High Standard</b></p>

<b>Debtors and Debt Management</b>	<b>Level of Assurance</b>
<p><b>Opinion Statement</b></p> <p>The opinion given in this area is limited to review of the debt management policy, review of the latest aged debt report produced from PSF and discussions with staff. There has been no review carried out on debt position in the individual schools out, in relation to activities operated outside of PSF. This limited review identified no issues, and the latest outstanding debt report revealed that there was no outstanding debt beyond 30 days.</p> <p>Reference to some debt write off and approval thereof was noted from review of directors' minutes, some of which related to debt which had been referred to following the previous review, in which recommendations were made to strengthen recovery of debt procedures. Discussions with staff confirmed that the responsibility accountability for debt and recovery of bad debt lies locally with the individual schools and impact their budgets accordingly.</p>	<p><b>High Standard</b></p>

<b>Payroll</b>	<b>Level of Assurance</b>
<p><b>Opinion Statement</b></p> <p>With this audit being undertaken remotely, testing in this area has been limited to review of the payroll reconciliation, reconciliation and processing of third party payments, and review of the payroll workflow reports which were produced at the time of the audit in relation to staff expenses and claims. The level of assurance given in this area, being high, needs to therefore be seen in light of this.</p> <p>The Trust run their own payroll inhouse, and the limited testing carried out during this review found the framework to be robust. There have been no issues with staff pay, nor the payroll system used. Payroll reconciliation was found to be comprehensive and well evidenced, which includes reconciliation of 3rd party payments. The Auditor carried out a walkthrough of the 3rd party payments, from the outputs from the payroll run, through to the payments being made, the outcome to which was found to be robust, and accurate.</p> <p>The auditor also carried out a walkthrough of an expenses and casual claim payroll payment through the workflow process on the pay portal, (using the report produced), and this confirmed that there was separation of duties between the processing and authorisation of the claims.</p>	<p><b>High Standard</b></p>

## Definitions of Audit Assurance Opinion Levels

Assurance	Definitions
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations have been made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary, or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

## Confidentiality under the National Protective Marking Scheme

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Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL–SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.