Griffin

Chartered Accountants

Internal Audit Report

Learning Academy Partnership (South West)

Recruitment & Selection, Internal control framework, budgeting, governance, regularity, and risk management and Anti-fraud framework

Visit date: 18 November 2020
Issued by: Ryan Bunn

Learning Academy Partnership (South West)

1. Basis of the report

The Academies Financial 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 18 November 2020

Recruitment & Selection

- Starter procedures reviewed
- Leaver procedures reviewed
- Segregation of duties
- Policies and procedures
- Reporting to HR
- Authorisation & Delegation

Governance, regularity, and risk management

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

Anti-fraud framework

- Staff expense claims
- Staff mileage claims

2.   Update on previous findings

As this was the first visit as internal auditors, this section was not applicable for the visit. Going forward, this will include the results of follow procedures to ensure recommendations from previous internal audits have been put in to place.

3. Work completed

	Work completed	Result	Conclusion
Recruitment & Selection			
1.	**New starters** For a sample of new staff at the school the following was confirmed: – Salary confirmed to offer letter/contract and HR system. – Ensured new staff members have been authorised by SLT as appropriate. – Ensured new starters were added to payroll in their first month and that their pay was pro-rated if they joined part way through the month.	For all new starters tested, their salary agreed to the offer documentation and the HR system. All new staff were authorised in line with the school's finance policy. None of the staff tested started in the middle of the month, therefore there was no need to pro-rate their pay.	No issues to note.
2.	**Payroll leavers** For a sample of departing staff, the following was confirmed: – Ensure they had been removed from the payroll the month after they had left. – Ensured the final month of pay was been pro-rated if they had left part way through a month. – Ensured any holiday pay etc. has been correctly calculated. If any additional payments were made to departing staff, confirmed whether these were contractual and whether the additional payment had been authorised.	All leavers tested were paid the correct amount in the month of departure and then removed from the payroll. None of those tested had any additional payments made to them. Where employees left part way through the month, their salary had been correctly pro-rated.	No issues to note.

Financial budgeting and monitoring		
1. **Financial information provided to Trustees** We reviewed the financial analysis and accompanying commentary provided to Trustees at board meetings.	The reports provided by the Trust Finance Manager give a clear picture of the school's finances. The actual results are clearly compared against the budget. A reserves summary per school is provided. This allows Trustees to clearly identify the position of the trust and each individual school at the time of reporting.	No issues to note.
2. **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.	Finance meeting minutes were reviewed and there is evidence that the month end reports were discussed and challenged where expected.	No issues to note.
3. **Finance, Audit and Risk committee meeting frequency and ESFA returns** 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.	The Finance, Audit and Risk committee meet up bi-monthly and all ESFA returns have been submitted on time and agree to the underlying information.	No issues to note.

4.	**Senior Leadership team budget awareness** The Academies Financial Handbook requires that SLT are informed on a monthly basis of the financial position of the school. The idea of this requirement is to put a financial context on the decisions that leadership are making for the school.	Budget monitoring reports have been produced at least monthly and any key areas are highlighted.	No issues to note.
5.	**Management accounts frequency** It is a requirement of the Academies Financial Handbook that management accounts are prepared on a monthly basis (consisting 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.	Monthly management accounts have been prepared were consistent with the underlying data. The 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 2020/21.	No issues to note.

Governance, regularity, and risk management

1.	**Leases** Obtain copies of all leases taken out during the year and consider whether they are finance or operating leases.	There were no new leases in the period tested.	No issues to note.
2.	**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.	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.	**Declaration of interests** Ensure all Trustees have declared any related party interests and that the details are published on the school website. Review Companies House directorships for any additional undeclared interests.	All of the trustees and related party interests have been declared. There were no discrepancies between the school website, Get information about schools and Companies House.	No issues to note.
4.	**Members independence** Ensure that the majority of the members are independent of the board of Trustees as per the DfE's recommendation in the Academies Financial Handbook 2020.	There are currently four serving Members, of which all are independent from the Board of Trustees.	No issues to note.

5.	**Related Party transactions** 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 Academies Financial Handbook. 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.	There were no related party transactions during the period tested.	No issues to note.
6.	**Governance structure** As per section 2.48 of the Academies Financial Handbook, ensure the trust has published up-to-date details on its website of its governance structure.	An up to date governance structure can be found on the schools' website.	No issues to note.
7.	**Staff members serving as Trustees** 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 Academies Financial Handbook 2020.	Other than the CEO, there are no staff members serving as Trustees. This is in line with the DfE's strong preference.	No issues to note.

8.	**Board performance and effectiveness** Ensure that there are appropriate procedures in place to evaluate the Board's performance	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.	No issues to note.
9.	**Provision of information** As per section 2.53 of the Academies Financial 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.	Get Information About Schools was up to date at the time of testing.	No issues to note.
10.	**Risk register** Obtain and review a copy of the school's risk register, ensure its approval by the board and the range risks considered, including both financial and non-financial risks.	The risk register has been reviewed and has been discussed. The list is comprehensive and includes both financial and non-financial risks.	No issues to note.

11.	**Information on the academy's website** Review of the academy's website, to ensure the following information is available: Names and appointment date for members and the board of Trustees, its 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 2020.	Names of Trustees and Members, pecuniary interests of Trustees and members, attendance records for 2019/20 and a copy of the financial statements for 31 August 2019 are all available on the Trust's website.	No issues to note.
12.	**Staff severance payments** For any staff severance payments, ensure they have been made in line with the requirements of the Academies Financial Handbook.	No staff severance payments have been made since the August 2020 year end.	No issues to note.
13.	**ESFA Accounting Officer Letter** The Accounting officer MUST share the ESFA's 'Dear Accounting Officer' letter with the members, Trustees, Chief Financial Officer and other members of the SLT. This is a requirement of Section 6.2 of the Academies Financial Handbook.	Evidence was obtained to show that the letter had been distributed to Trustees and that the letter was discussed.	No issues to note.

Purchases and Cash payments		

1.	**Review financial policy**
	
	We obtained a copy of the school's financial policy and reviewed the following key areas:
	
	    – 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. | **Substantive testing of purchases**

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:

    – 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 | 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.

The purchases were appropriate for the education of children and were in line with the school's budget.

The authorisations of BACS runs were appropriate and in line with the school's financial policy. | No issues to note. |

3.	**Tendering procedures**		
	A sample of purchases over the limit for obtaining quotes or full tender were tested to ensure that the processes were being effectively put into practice.	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.	No issues to note.
		The cheapest quote was selected for all three purchases tested. Value for money has been achieved.	
4.	**Bank reconciliation**		
	One month was selected at random and the bank reconciliation reviewed to confirm: – The reconciliation has been completed – There are no old items that need investigating – There is evidence of the reconciliation being reviewed.	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.	No issues to note.
5.	**BACS run authorisation levels and procedures**		
	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.	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.	No issues to note.

| 6. | **Segregation of duties**

Reviewed the access of different staff members to the school's financial system, Sage, as well as the authorisation levels with respect to bank payments. | Clear segregation of duties are in place. The interim finance manager can setup a supplier, create and authorise purchase orders and prepare a payment run which needs to be authorised by two separate signatories via the banks dual authorisation system. In practice, the interim finance manager would not undertake all of the above tasks and a separate member of staff would create the BACS payment run, for the interim finance manager to then authorise.

The CEO, Deputy CEO, CFO, and interim finance manager are the only individuals who can authorise BACs payments online. | No issues to note. |

	Anti-fraud framework		
1.	**Staff expense claims** A sample of staff expense claims were reviewed to ensure: The Academy's financial procedures are being followed Claims are within budget and appropriately authorised Expenditure is appropriate There is sufficient supporting documentation	All expense claims were appropriately authorised and had supporting documentation for the expenditure. None of the expenditure was inappropriate for an Academy Trust.	No issues to note.
2.	**Staff mileage claims** A sample of staff mileage claims were reviewed to ensure: The Academy's financial procedures are being followed Claims are within budget and appropriately authorised Expenditure is appropriate There is sufficient supporting documentation	All mileage claims were appropriately authorised and had supporting documentation for the expenditure. None of the expenditure was inappropriate for an Academy Trust.	No issues to note.

4. Recommendations

From our testing of the systems and controls around the response to recruitment & selection, financial budgeting & monitoring, internal control framework, anti-fraud framework and governance and regularity we have not identified any recommendations. This is testament to the Finance Manager and her team.

Report Priority rating

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