

# Griffin

## Chartered Accountants

### Internal Audit Report

### Learning Academy Partnership (South West)

### Financial Budgeting and Monitoring, Bank Reconciliations and Risk Management.

Remote visit date: 24 February 2021

Issued by: Ryan Bunn



Learning Academy Partnership (South West)

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# 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. These visits have been carried out remotely during the coronavirus pandemic.

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 24 February 2021

### 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

### Bank Reconciliations

- Agree statement balance to accounting software

### Risk Management

- Risk Register
- Risk Controls
- Assessment of Cyber Security

## 2. Update on previous findings

There were no recommendations made in the last internal audit report to obtain an update on.

### 3. Work completed

	Work completed	Result	Conclusion
<b>Financial budgeting and monitoring</b>			
1.	<p><b>Financial information provided to Trustees</b></p> <p>The financial reports and accompanying commentary provided to Trustees were examined.</p>	<p>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 with explanations provided for any variances.</p> <p>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.</p>	No issues to note.
2.	<p><b>Evidence of challenge from Trustees</b></p> <p>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>January 2021 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><b>Finance, Audit and Risk committee meeting frequency and ESFA returns</b></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 meet bi-monthly and all ESFA returns have been submitted on time and agree to the underlying information.</p>	<p>No issues to note.</p>
4.	<p><b>Senior Leadership team budget awareness</b></p> <p>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.</p>	<p>Budget monitoring reports have been produced at least monthly and any key areas are highlighted.</p>	<p>No issues to note.</p>
5.	<p><b>Management accounts frequency</b></p> <p>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.</p>	<p>The management accounts have been shared with the Chair of Trustees, Chair of Finance &amp; the Accounting Officer. The Trust Finance Manager has confirmed that the information will be shared with Trustees six times in 2020/21.</p>	<p>No issues to note.</p>

6.	<p><b>Management accounts quality</b></p> <p>Confirm that total income and expenditure per the management report agrees to the total as per the accounting software, in order to ensure Governors are receiving accurate financial information.</p>	<p>The management overview shared with trustees and governors showed overstated expenditure during the month of October 2020 when compared with the Trusts accounting software.</p>	<p>See recommendation in Section 4.</p>
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<b>Bank Reconciliations</b>			
1.	<p><b>Agree statement balance to accounting software</b></p> <p>It is important to agree the bank balance as per the accounting software to the balance shown on the bank statement to ensure transactions are being correctly treated within the accounting software, and that the bank is being regularly reconciled.</p>	<p>The Trust completes a bank reconciliation weekly, showing any difference between the statement balance and the balance showing on the accounting software.</p> <p>Any difference presented is shown, and this report is signed off by both the Finance Manager and Assistant Finance Manager.</p>	<p>No issues to note.</p>

**Risk Management**

<p>1.</p>	<p><b>Risk Register</b></p> <p>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, have been deemed reasonable.</p>	<p>The risk register has been reviewed, revised, and approved during the Full board meeting on 17<sup>th</sup> December 2020.</p> <p>Risks identified have been deemed reasonable and the risk ratings have been applied accurately.</p>	<p>No issues to note.</p>
<p>2.</p>	<p><b>Risk Controls</b></p> <p>Ensure the Trust has processes in place to mitigate any high or medium rated risks, and any high risk items have been discussed at audit committee meetings.</p>	<p>The trust has adequate controls in place to mitigate the risks identified as medium and high risks. All high risk items were discussed during the audit committee meeting and also at local committee level. All risk discussions were fully disclosed in the minutes.</p>	<p>No issues to note.</p>
<p>3.</p>	<p><b>Assessment on cyber security risks</b></p> <p>Confirm that the Trust has had a recent assessment of their exposure to cyber security risks, and procedures are in place to protect against cyber security risks.</p>	<p>The Trust is conscious of potential threats and the need for effective cyber security measures. They have recently engaged an external assessor to assess their IT security and put steps in place to improve this where necessary. An appropriate tender process was followed to ensure that the trust are achieving the best service and the best value for money.</p>	<p>No issues to note.</p>

## 4. Recommendations

Finding	Recommendation	Priority	Management Response
<b>Financial budgeting and monitoring</b>			
<p>1.</p>	<p><b>Management accounts quality</b></p> <p>In the monthly management overview produced for October 2020, there is approximately £50,000 more expenditure stated than the cumulative figure produced from the income and expenditure reports that were produced for each school in the trust.</p>	<p>We recommend that management account figures are referenced back to figures produced from the accounting software, with any details of justifiable discrepancies detailed out, as well as a breakdown of actual income and expenditure per school provided alongside the total figure.</p>	<p style="text-align: center;"></p> <p>This was a late manual adjustment in respect of capital that amended the in year expenditure by £50k but not the forecasted year end position. This should not have been adjusted and was an administrative error and was adjusted in the November accounts. A note will be made in the FAR minutes to inform Trustees. The Trust has invested in new reporting /budgeting software which will enhance reporting mechanisms and eliminate the possibility of a manual error in the future.</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 administrative errors that require correcting
	The issue has been resolved