

# 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: 14 November 2022

Issued by: Vicky Kennell



Learning Academy Partnership (South West)

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# 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 14 November 2022

### 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

### 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

### 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

There were no recommendations made in our June 2022 visit and all previous recommendations had been cleared.

### 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 analysis provided to Trustees at board meetings was reviewed.</p> <p>It is a requirement of the Academies Trust Handbook that management accounts are prepared on a monthly basis (consisting of SOFA, 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 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 the position of each individual school.</p> <p>The monthly 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 the 2022/23 academic year.</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>Finance meeting minutes were reviewed and there is evidence that the month end reports were discussed and challenged where expected.</p>	<p>No issues to note.</p>
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 will meet six 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><b>Figures in Management Accounts</b></p> <p>Compare the figures reported in the August 2022 management accounts to the trial balance from August 2022 to ensure the Trustees were receiving up to date and accurate information.</p>	<p>The figures in the management accounts agreed to the August 2022 trial balance, the only differences identified were due to assets being capitalised and depreciated on PSF (and hence the trial balance) but not in the management accounts. This is because capital expenditure is shown for management accounts reporting purposes so that trustees can see total (revenue and capital) expenditure in the period.</p>	<p>No issues to note.</p>

5.	<p><b>Internal audit</b></p> <p>Obtain evidence that the last internal audit report was received by the Board of Trustees in a timely manner.</p>	<p>The last internal audit report completed in August 2022 was shared with the Audit Committee on 6 October 2022.</p>	<p>No issues to note.</p>
6.	<p><b>Accounts publication</b></p> <p>Ensured that the trust has published the most recent set of annual accounts on its website.</p>	<p>The annual accounts for the year ended 31st August 2021 have been uploaded to the trust website.</p>	<p>No issues to note.</p>
7.	<p><b>Reserves position</b></p> <p>The current reserves position of the trust was reviewed and if reserves are low it was investigated to identify what actions were being taken to improve the overall position.</p>	<p>The trust reserves policy is £400,000. The forecast reserves at 31 August 2023 is £855,504. Therefore there are no concerns regarding the trust's reserve position.</p>	<p>No issues to note.</p>
<p><b>Governance and regularity</b></p>			
1.	<p><b>Leases</b></p> <p>Obtain copies of all leases taken out during the year and consider whether they are finance or operating leases.</p>	<p>There were no new leases taken out in the period tested.</p>	<p>No issues to note.</p>

2.	<p><b>Gifts &amp; hospitality policy</b></p> <p>Ensure a policy is 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 have been made aware of this policy.</p>	<p>A policy is in place and staff are made aware of it during their induction and is accessible on the staff portal. If there are any changes made when the policy is reviewed, an up-to-date copy is distributed to all employees via the staff portal.</p>	<p>No issues to note.</p>
3.	<p><b>Declaration of interests</b></p> <p>Ensure all Trustees have declared any related party interests and that the details are published on the trust website.</p> <p>Review Companies House directorships for any additional undeclared interests.</p>	<p>All Trustees had complete declaration of interests.</p>	<p>No issues to note.</p>
4.	<p><b>Members independence</b></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 2022.</p>	<p>There are currently six serving members, of which all are independent from the Board of Trustees.</p>	<p>No issues to note.</p>

5.	<p><b>Related Party transactions</b></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 trust 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>	There were no related party transactions during the period tested.	No issues to note.
6.	<p><b>Governance structure</b></p> <p>As per section 2.50 of the Academy Trust Handbook, ensure the trust has published up-to-date details of the governance structure on the website.</p>	An up-to-date governance structure can be found on the trust's website.	No issues to note.
7.	<p><b>Staff members serving as Trustees</b></p> <p>Ensure that no staff members, other than the CEO/Head teacher, are on the Board of Trustees as per the DfE's strong preference in the Academy Trust Handbook 2022.</p>	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.	<p><b>Board performance and effectiveness</b></p> <p>Ensure that there are appropriate procedures in place to evaluate the Board's performance.</p>	<p>The Chair holds 1:1 meetings with Trustees and their feedback is shared with the Board. The trust is looking at ways to share this feedback with members. Furthermore, attendance at board meetings is closely monitored and appropriate action will be taken if attendance is deemed unacceptable.</p>	<p>No issues to note.</p>
9.	<p><b>Provision of information</b></p> <p>As per section 2.54 of the Academy Trust Handbook, the trust MUST notify the DfE via Get Information About Schools within 14 days of any changes in Members, Trustees and Local Governors as well as Chair of Trustees, Accounting Officer and Chief Financial Officer.</p>	<p>Get Information About Schools is up to date and shows all of the current members and trustees.</p>	<p>No issues to note.</p>
10.	<p><b>Staff severance payments</b></p> <p>For any staff severance payments, ensure they have been made in line with the requirements of the Academy Trust Handbook.</p>	<p>No staff severance payments have been made in the current academic year.</p>	<p>No issues to note.</p>
11.	<p><b>Governance professional</b></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>	<p>JG is the trust's governance professional who is neither a Trustee, the Principal or the Chief Executive. Hence this is compliant with the Academy Trust Handbook.</p>	<p>No issues to note.</p>

12.	<p><b>Information on the Academy Trust's website</b></p> <p>Review of the trust's website, to ensure the following information is available:</p> <ul style="list-style-type: none"> <li>- Names and appointment date for Members and the Board of Trustees, it's Committees and names of the Chair of each.</li> <li>- Pecuniary interests of Members and Trustees</li> <li>- Trustee attendance records at Board and Committee meetings over the last academic year.</li> <li>- A copy of the audited financial statements for the year ended 31 August 2021.</li> <li>- Staff with benefits paid greater than £100,000 disclosed on the website.</li> <li>- Meeting minutes, agenda and any document referred to in the minutes.</li> <li>- Are there spaces reserved for parents?</li> </ul>	<p>Names and pecuniary interests of Trustees and Members, attendance records for 2021/22 and a copy of the financial statements for 31 August 2021 are all available on the trust's website.</p> <p>Details of Committees and individual school's local governing bodies have also been made available on the trust's website.</p> <p>The trust has provided the necessary disclosure of staff with benefits received greater than £100,000.</p> <p>Meeting minutes are available upon request from the Clerk, which is documented on the website.</p> <p>There are two parent places on each local governing board.</p>	No issues to note.
13.	<p><b>Dear Accounting Officer</b></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.

14.	<p><b>External Audit Tender</b></p> <p>The Academy Trust Handbook states that a retender should be completed at least every five years for the external audit.</p>	<p>During our testing, it was identified that the Trust went out to tender, using an approved third-party company in which three separate audit firms were approached for the external audit services of the trust. Only one out of the three audit firms approached provided a response.</p> <p>It was documented by both the members and the board that value for money had been achieved since the current auditors have reduced their fees for future audits until the trust is required to re-tender again.</p>	No issues to note.
15.	<p><b>New member checks</b></p> <p>Ensure that new members have had appropriate checks performed. It is a must requirement of the Academies Trust Handbook that members are not currently subject to a direction made under section 128 of the Education and Skills Act 2008.</p>	Two new members have been appointed since 01 September 2022 and both have had appropriate checks performed.	No issues to note.
16.	<p><b>DBS Checks</b></p> <p>Ensure that the trust has obtained Enhanced DBS checks for all staff and supply staff and Enhanced Criminal Records Certificate for anyone involved in governance.</p>	We took a sample of employees and Trustees to ensure they had sufficient documentation. We identified that the trust had undertaken all the necessary checks for the selected individuals.	No issues to note.

<b>Internal Control Framework</b>			
1.	<p><b>Review financial policy</b></p> <p>Obtain a copy of the trust's financial policy and review the following key areas:</p> <ul style="list-style-type: none"> <li>- Segregation of duties</li> <li>- Scheme of delegation limits</li> <li>- Budget holders and their spend limits</li> <li>- Purchases and payments procedure</li> <li>- Tendering process</li> <li>- Income procedures</li> <li>- Debt recovery</li> <li>- Process for changing supplier bank details.</li> </ul>	<p>The finance policy is comprehensive in covering the areas we reviewed. It was clear to follow, and the finance team appeared to be aware of all its contents.</p>	No issues to note.
2.	<p><b>Substantive testing of purchases</b></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"> <li>- Ensure a signed purchase order was in place for each transaction</li> <li>- Confirmation that the purchase order had been signed off and the budget holder is acting within their purchasing limits</li> <li>- Confirm the purchase is within budget</li> <li>- Ensure the purchase is appropriate having regard to value for money and regularity</li> <li>- Agree to supplier invoice</li> <li>- Confirm VAT treatment is correct</li> <li>- Confirm BACS run authorisation is appropriate and in line with financial procedures</li> </ul>	<p>All 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 within budget and were also appropriate for the education of children.</p> <p>The authorisation of the BACS runs were appropriate and in line with the trust's financial policy.</p>	No issues to note.

3.	<p><b>Tendering procedures</b></p> <p>Test a sample of purchases over the limit for obtaining quotes or full tender 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, other than the tender for the external audit service (see point 13 above), there were no purchases over £5,000 from September 2022. Therefore, it was not possible to test this process further.</p>	No issues to note.
4.	<p><b>Bank reconciliation</b></p> <p>Select two months at random and review the bank reconciliation to confirm:</p> <ul style="list-style-type: none"> <li>- The reconciliation has been completed</li> <li>- There are no old items that need investigating</li> <li>- There is evidence of the reconciliation being reviewed.</li> </ul>	<p>For the two months tested, the bank reconciliation was completed in a timely manner. There were no old reconciling items, and the reconciliation was reviewed and signed off by the Finance Lead and Trust Lead.</p>	No issues to note.
5.	<p><b>BACS run authorisation levels and procedures</b></p> <p>Review the process for paying suppliers, including authorisation limits and segregation of duties. Furthermore, test a sample of purchases to ensure that the financial procedures were being adhered to.</p>	<p>The school has well established BACS payment procedures that ensure segregation of duties wherever possible. For all BACS runs over £25,000 dual authorisation of bank payments is required. It appeared that the financial procedures were being adhered to.</p>	No issues to note.





6.	<p><b>Segregation of duties</b></p> <p>Review the access of different staff members to the trust'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 team 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>	No issues to note.
7.	<p><b>Change of supplier bank details</b></p> <p>Review the trust's process for changing supplier bank details.</p>	<p>If the trust is sent a request from a supplier to change bank details, the finance team will contact the supplier using the existing phone number they have on file (or via a search of their website) and contact them to verify that the change is legitimate. The check is undertaken before any updates are made to the financial system.</p>	No issues to note.

<b>Anti-fraud framework</b>			
1.	<p><b>Staff expense claims</b></p> <p>Review a sample of staff expense claims (not mileage) to ensure:</p> <ul style="list-style-type: none"> <li>- The trust's financial procedures are being followed</li> <li>- Claims are within budget and appropriately authorised</li> <li>- Expenditure is appropriate</li> <li>- There is sufficient supporting documentation</li> </ul>	<p>All expense claims were appropriately authorised and had supporting documentation for the expenditure. None of the expenditure was deemed inappropriate.</p>	<p>No issues to note.</p>
2.	<p><b>Staff mileage claims</b></p> <p>Review a sample of staff mileage claims to ensure:</p> <ul style="list-style-type: none"> <li>- The trust's financial procedures are being followed</li> <li>- Claims are within budget and appropriately authorised</li> <li>- Expenditure is appropriate</li> <li>- There is sufficient supporting documentation</li> </ul>	<p>All mileage claims were appropriately authorised and had supporting documentation for the expenditure. Financial procedures appeared to be being followed and the claims were within budget.</p>	<p>No issues to note.</p>
3.	<p><b>Charge cards</b></p> <p>Obtain a list of the trust's charge card holders, check where the cards are kept and review a sample of charge card transactions to ensure that expenditure is in line with academic purposes.</p>	<p>We reviewed the list of charge card holders and it was found that all charge cards are locked in a safe at the individual school or head office, except for the Estate Manager who always keeps their card on their person. All the expenditure is in line with academic purposes.</p>	<p>No issues to note.</p>

## 4. Recommendations

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