

# Griffin

## Chartered Accountants

### Internal Audit Report

### Learning Academy Partnership (South West)

Governance & regularity, risk management and budgeting & monitoring

Visit date: 19<sup>th</sup> & 20<sup>th</sup> June 2024  
Issued by: Lucy Harris-Deans



Learning Academy Partnership (South West)

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# 1. Basis of the report

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

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

- Internal control framework.
- Governance and regularity.
- Anti-fraud framework.
- Payroll, recruitment, and selection.
- Financial budgeting and monitoring.
- Bank reconciliations.
- Risk management.

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

## Work completed June 2024

### Governance & regularity

- Declaration of Interests
- Member's independence
- Staff members serving as Trustees
- Governance structure
- Provision of information
- Board performance and effectiveness
- Information on the Academy's website
- Finance Committee compliance
- Audit Tender Process
- Scheme of Delegation


### Risk management

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- Review of risk register
- Trustee approval
- Consideration of high-risk areas
- Data protection and cyber security

### Financial budgeting & monitoring

- Ensure approval of the Trust's budget.
- Evaluate assumptions used in the Trust's forecasting.
- Review of previous internal audit report by the Audit and Finance Committee.
- Review management accounts frequency.
- Detail of financial information provided to the Finance Committee.
- Ensure accurate financial information is provided to Trustees.
- Review evidence of challenge from Trustees.
- Check on finance Committee meeting frequency and ESFA returns.
- Review reserves policy and position.

## 2. Update on previous findings

Finding	Recommendation	Priority	Management Response
<b>Anti-Fraud Framework</b>			
<p>1. <b>Staff Expense Claims</b></p> <p>The Trust paid for the upgrade of a staff members' personal car insurance to include business use.</p> <p>The 45p per mile paid to staff to cover business miles travelled is intended to take into account the additional costs associated with business use. Therefore, this is not an appropriate use of public funds.</p>	<p>We recommend that going forward the Trust ensures all staff expense claims are an appropriate use of public funds. They should specifically ensure they do not reimburse any staff members for adding business insurance to their policy, as such additional costs are wrapped up in the 45p per mile they receive when travelling anyway.</p> <p><b>Update December 2023:</b> We will provide an update on this point at a future visit when covering 'Anti-fraud framework'.</p> <p><b>Update February 2024:</b> No business insurance reimbursements were identified as part of expense claim testing, However, there was a notable lack of detail on documentation supporting 2 of the staff claims tested. This makes it unclear as to the nature of the purchase. Therefore, the recommendation has changed.</p>		<p><b>Management Response June 2023:</b> Agreed. The total paid for upgrading staff members insurances to cover business use was £61.06, for two members of staff. We are in the process of recouping these amounts from both staff members.</p> <p>Going forwards the Trust will not offer to cover the upgraded cost, in any circumstances.</p> <p><b>Management Response Feb 2024:</b> Agreed. The lack of detail regarding mileage claims was internally identified at the beginning of January. We have since circulated an updated document stressing the importance of specifying the origin and destination of travel. Line managers have been instructed to approve claims only if this information is provided.</p>

		<p>We acknowledge that the academy has already implemented stricter procedures when approving expense claims, allowing claims to be rejected without sufficient supporting receipts. We would also suggest that any additional narrative provided by the claimant be documented on the claim to support the reason for reimbursement.</p> <p><b>Update June 2024:</b> We will provide an update on this point at a future visit when covering 'staff expenses'.</p>		<p>For expenses not processed through payroll, the Operational Finance Lead will now also authorise claims, as well as budget holders/line managers. This adjustment will ensure that all claims are fully compliant and include the necessary detail before processing. Line managers have also been reminded about their responsibilities to review receipts.</p>
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### 3. Work completed

	Work completed	Result	Conclusion
<b>Governance &amp; Regularity</b>			
1.	<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 school website.</p> <p>Review Companies House directorships for any additional undeclared interests.</p>	<p>10 out of 11 Trustees that were part of the full board at the beginning of the 2023/24 academic year had completed declaration of interest forms. One Trustee had not provided an updated list of interests for the 2023/24 year.</p> <p>Companies House was reviewed during the visit, and it was noted that some business interests were missing for two Trustees. One old directorship was missing for M Graves, and 1 recent directorship had not been declared by J Tisdall. Moreover, the interests declared by R Wyld, have not been included on the register of interest on the Trust website.</p> <p>Pecuniary interests were added to all full board meeting agendas, but no additional interests were declared during the year.</p>	<p>See recommendation in Section 4.</p>

<p>2.</p>	<p><b>Member's independence</b></p> <p>Ensure that the majority of the members are independent of the board of Trustees as per the ESFA's recommendation in the ATH 2023.</p> <p>Identify if any new members have been appointed since 1st September 2023 and ensure the appropriate checks have been completed to gain confidence that they are able to take part in academy trust management.</p>	<p>Five out of the six members are not Trustees so are independent from the Board of Trustees. With six members, the Trust adheres to section 1.3 of the ATH, that recommends that the Trust should have five or more members.</p> <p>The register of interest and GIAS confirms that no new members have been appointed this year.</p>	<p>No issues to note.</p>
<p>3.</p>	<p><b>Staff members serving as Trustees</b></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 should requirement in the ATH.</p>	<p>There are no staff Trustees on the board (excluding the CEO), therefore the Trust is in line with the ESFA's strong preference for no other employees to serve as Trustees, as per section 1.22 of the ATH.</p>	<p>No issues to note.</p>
<p>4.</p>	<p><b>Governance structure</b></p> <p>As per section 1.44 of the ATH, ensure the trust has published up-to-date details on its website of its governance structure.</p> <p>Ensure the Trust has spaces reserved for parent trustees as part of their governance structure and has an appropriate governance professional to support the board of Trustees.</p>	<p>The website was reviewed during the visit, and it was noted that the list of Trustees on the website, is currently up to date and agrees to the information published on Companies House and GIAS.</p> <p>The Trust reserves two spaces on each local governing body for parent trustees. The Trust has also employed a Trust Governance Professional to support the board. They have a separate role within the Trust, and are not a Trustee, principal, or CE.</p>	<p>No issues to note.</p>

5.	<p><b>Information on the Academy's website</b></p> <p>Review of the academy'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, its committees and names of the chairs 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 2023.</li> <li>Names of any employees with benefits exceeding £100k, disclosed in £10k bandings.</li> <li>Agenda, minutes and any documentation of board meetings.</li> </ul>	<p>The structure and remit of the trust's members, board of Trustees, committees and local committees/governing bodies is clearly disclosed on Trusts website.</p> <p>Names, appointment dates and business interests for its members and Trustees are also present on the website. On the same document, information about each Trustees attendance at Full Board, Audit, Risk and Resources and Education Standard Committee meetings for the 2022/23 academic year is listed.</p> <p>The Annual Accounts for the Year Ended 31 August 2023 have been published on the Trusts website.</p> <p>In accordance with section 2.29 in the ATH, employees whose benefits (including gross pay, employers pension contribution and termination payments), exceed £100k are listed in a separate document on the website.</p> <p>Whilst board minutes are not added to the website, they are available on request from the Governance Professional using a specific email address. This is disclosed on the Trusts website for public use.</p>	No issues to note.
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6.	<p><b>Board performance and effectiveness</b></p> <p>Ensure that there are appropriate procedures in place to evaluate the Board's performance and ensure the Trust has a governance professional in place.</p> <p>Confirm that the Board of Trustees has met at least termly.</p>	<p>There is a regular review of the boards performance undertaken by an external and independent education sector executive recruitment organisation. The last two reviews were dated December 2020 and November 2023, with the next planned for 2025.</p> <p>There have been four full board and Audit, Risk and Resources meetings in the first two terms with at least one more planned for each committee the final term.</p>	No issues to note.
7.	<p><b>Provision of information</b></p> <p>As per section 2.46 of the ATH, the trust MUST notify the DfE via Get Information About Schools (GIAS) 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>Two Trustees have resigned this year. In both instances, GIAS and Companies House have been updated in line with ATH requirements.</p>	No issues to note.



8.	<p><b>Finance Committee</b></p> <p>Where the Trust has income below £50million, the Finance Committee can be part of another Committee. Ensure the following:</p> <ul style="list-style-type: none"> <li>• The terms of reference for this committee include the requirements for the Finance Committee as per the ATH 2023.</li> <li>• The Chair of this committee is different to the Chair of Trustees.</li> <li>• That any staff in attendance (including the Headteacher) are not participating as member of the committee but are in attendance only.</li> </ul>	<p>The Trust has a Audit, Risk and Resources committee in place, the terms of reference for which are compliant with the requirements of the ATH.</p> <p>The Chair of this committee is also a Trustee but is different from the Chair of Trustees.</p> <p>Staff attending committee meetings are noted separately as being ' in attendance' rather than an attendee' in line with section 3.11 of the ATH.</p>	No issues to note.
9.	<p><b>Scheme of Delegation</b></p> <p>Obtain a copy of the scheme of delegation and ensure it is appropriate and there is evidence of its last review.</p>	<p>This has been discussed and reviewed by the Trustees during a full board meeting on 29th June 2023. Amendments to the document were outlined by the CEO and agreed upon by the remaining Trustees.</p>	No issues to note.
10.	<p><b>Audit Tender procedures</b></p> <p>As per the ATH section 4.5, the Trust should retender their external audit at least every five years. Any details of a previous tender should also be retained for best practice.</p>	<p>The Trust last retendered for their external auditors in 2022, with evidence of the process kept on file. The next retender is scheduled for 2025 and will be less than 5 years after the previous tender.</p>	No issues to note.

## Risk Management

### 11. Review of risk register

We obtained a copy of the Trusts' risk register. We analysed the range of risks considered, including both financial and non-financial risks.

We checked that the risk registers have been reviewed at least annually for any changes, and that reasonable controls have been identified to mitigate high and medium risks.

We ensured that the risk register has been tailored specifically for the Trust and is not just a generic template. This will help the Trust to effectively manage their unique risk profile.

Each school within the Trust has its own risk register. There is a central register to cover Trust wide risks as well. All risk registers are received and reviewed annually by the board. Educational risks are also discussed at the Local Ethos and Advisory committees, and the financial risks are reviewed by the Audit, Risk and Resources committee.

Each risk register contains a range of appropriate financial and non-financial risks. This includes governance, reputational and operational risks, as well as legal and safety risks. It also details the associated countermeasures, and numerous control procedures that are used to mitigate the risk.

The risk register is unique for each school. Whilst some risks are similar across the Trust, such as hygiene risks linked to supplying school meals, additional risks, including specific safeguarding or building maintenance risks have been added as well. The risk register is easy to understand, concise and reflects the current environment and regulations.

The risk register also states the frequency that each risk needs to be reviewed and those responsible for monitoring each risk.

No issues identified

		The likelihood and impact of each risk is rated out of five of and the overall severity of the risk is assessed using a RAG rating system that incorporates both numeric ratings.	
12.	<p><b>Trustee approval</b></p> <p>Ensured that the risk register has been appropriately approved by the Board of Trustees within the last 12 months.</p>	<p>The board of Trustees formally reviewed the Trust Risk Register during their meeting on 29th June 2023.</p> <p>In the 2023/24 academic year, Trustees have also considered whether new risks, such as extra educational and operational risks, need to be added to the register during each board meeting.</p>	No issues identified
13.	<p><b>Consideration of high-risk areas</b></p> <p>Ensured that the Board of Trustees have discussed high-risk areas identified on the risk register, and that these are being continually monitored where they are areas that cannot be tested by the internal audit.</p>	<p>High risks are regularly discussed in both the full board and audit, risk, and resources committee meetings.</p> <p>High financial risks have been tested by internal auditors three times in the year to ensure existing controls are sufficient to manage these risks. Non-financial risks that are also considered high, but cannot be audited, undergo both internal and external reviews. These reviews take place regularly, such as annually or biannually, with information provided by independent third parties.</p>	No issues identified

<p>14.</p>	<p><b>Cyber security</b></p> <p>Ensured the Trust has procedures in place to mitigate and protect against the risks of cyber security and cybercrime.</p> <p>Ensured that all staff have completed the free cyber security training and there is a record of who has completed this.</p>	<p>There are a minimal number of IT risks included on the risk register. Whilst the Trust does have separate digital standards review that details the cyber security requirements expected of Trust, and the potential risks and actions the Trust should take to remain compliant, the likelihood and impact of each risk have not been assessed.</p> <p>Online cyber security training must be completed by all staff that work with IT equipment. The central team have a list of those required to do the training and regularly chase the staff members to ensure the training is completed by all. The training is currently completed every few years, but with the Trust switching to a new provider during the next academic year, the frequency of the training will be reviewed.</p>	<p>See recommendation in Section 4.</p>
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15.	<p><b>Insurance for high-risk areas</b></p> <p>Ensure appropriate insurance is in place to mitigate financial risk of the Trust</p>	<p>Each school has their own insurance policy. This ensures that the policies based on assets or business valuations are appropriate for each school. Each insurance policy covers the main risk categories: physical, consequential, legal, management and reputational.</p> <p>The only risks not covered by the insurance are those that cannot be mitigated by external policies. Such risks have separate countermeasures and control procedures designed to limit their impact and likelihood.</p>	No issues identified
<b>Budgeting and Monitoring</b>			
16.	<p><b>Approval of the Trust's budget</b></p> <p>Obtain a copy of the Trust's budget and agree approval by Trustees. If total unrestricted plus restricted reserves are forecast to be in deficit has the Trust notified ESFA within 14 calendar days of the budget approval meeting?</p>	<p>The Trust's last budget submission was approved by the Full Board of Trustees on 29th June 2023.</p> <p>A deficit has been forecast for the next three years due to an increase in staff and utility costs at a greater rate than increases in pupil numbers. However, the Trust has a healthy level of free reserves at 31 August 2023, which can be used to cover these losses, so reserves are expected to remain in a surplus position.</p>	No issues to note

17.	<p><b>Evaluate assumptions used in the Trust’s forecasting</b></p> <p>Review the key planning assumptions used in the budget forecast report presented to the Finance Committee and consider whether or not these are reasonable.</p>	<p>Key planning assumptions used in the budget forecast are based on expert information, including ISBL planning assumptions, general sector discussions as well as renewal information received for next year’s contracts. Less predictable revenue and costs have been based on current year figures, with expenditure inflated in line with national inflation estimates.</p>	<p>No issues to note</p>
18.	<p><b>Review of previous internal audit report by the Audit and Finance Committee</b></p> <p>Check that Governors received a copy of the last internal audit report in a timely manner. Determine if the findings and recommendations have been reviewed and a plan in place to rectify the issues.</p>	<p>The last internal audit was carried out in February 2024. The report was received by the Audit and Finance Committee and discussed in the meeting dated 29th February 2024. The recommendations and findings were reviewed and questioned, and additional procedures put in place to rectify any issues.</p>	<p>No issues to note</p>

19.	<p><b>Management accounts frequency</b></p> <p>It is a requirement of the ATH 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.</p>	<p>Management accounts are prepared monthly and are shared to all Trustees via Teams.</p> <p>They include a balance sheet, cashflow and a forecast summary detailing the variation between actual and forecast income and expenditure figures. An aged debtors and creditors report is also provided. A financial summary is also included to highlight any significant movement or changes between each month's figures.</p>	No issues to note
20.	<p><b>Financial information provided to Trustees</b></p> <p>Obtain a copy of the most recent finance report provided to Trustees and review the meeting minutes for evidence that they have reviewed the actual figures against budget.</p> <p>Consider whether the report provided to Trustees is appropriate for them to understand the financial results and how they are doing compared to budget.</p>	<p>The most recent management accounts and budget information were reviewed during the most recent Trustee meeting held on 29th February 2024. Specific areas were discussed in more detail, such as the increase in staff and catering costs, due to the variation between actual and forecasted figures.</p> <p>The Trustees are provided with a range of financial information, including a financial summary that details not only the movement in reserves, but also the highlights to Trustees the current financial opportunities and challenges faced by the academy.</p>	No issues to note


21.	<p><b>Accuracy of the management accounts provided to Trustees</b></p> <p>Agree income, expenditure and balance sheet totals per the most recent management report to the accounting software for that period, to ensure the Finance Committee are receiving accurate financial information.</p>	<p>Income, expenditure and balance sheet totals per the April 2024 management accounts have been compared to the Trust's accounting software (PSF). No material differences were identified, so financial information communicated to Trustees appears to be both relevant and accurate.</p> <p>The bank balance for the main current account at 30 April 2024 also agrees to the bank reconciliation and bank balance per the management accounts.</p>	No issues to note
22.	<p><b>Evidence of challenge from Trustees</b></p> <p>Review the meeting minutes from the most recent available Trustee meeting for evidence that the financial performance was subject to challenge from the Trustees.</p>	<p>A review of the Finance Committee meeting minutes shows reasonable challenge from the Trustees. Significant increases in costs were discussed in more detail, and the Trustees questioned the actions in place to increase funds to individual schools with a year-to-date deficit.</p>	No issues to note




<p>23.</p>	<p><b>Finance Committee meeting frequency and ESFA returns.</b></p> <p>Confirm that the Finance 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 Audit, Risk and Resources committee have met four times this year and have at least one more meeting planned before the year end. Management accounts have been provided and discussed during all meetings.</p> <p>The three-year budget forecast return was submitted on 10th August 2023. The overall surplus/ deficits forecast per the three-year return agrees to the budget overview figures circulated to, and agreed by, the Trustees.</p>	<p>No issues to note</p>
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24.	<p><b>Reserve policy and position</b></p> <p>Review the prior year accounts to establish the reserves policy and checked if this is still applicable.</p> <p>Check what is the current reserves position of the academy and what is the forecast for the current financial year. If reserves are lower than the policy or forecast to be lower than the reserves policy, what action is being taken?</p>	<p>The Trust's reserves policy is approximately one month's salary costs as a minimum. This can be estimated at £747,374 (excluding pension and depreciation) in the 2023 accounts. This has been reviewed and approved in Autumn 2023.</p> <p>The Trust has a healthy reserve position. In the 2023 accounts there was a free reserve balance of £1,931,577. The academy is currently estimating a deficit for the 2023/24 academic year. Whilst this will still leave the academy in a healthy reserve position at the year end, they have implemented a formal restructuring plan to reduce staff costs in order to reduce the forecasted deficits in future years.</p>	No issues to note
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## 4. Recommendations

Finding	Recommendation	Priority	Management Response
<b>Governance and Regularity</b>			
<p>1. <b>Declaration of interests</b></p> <p>It was discovered that one Trustees, M Graves had one directorship missing from his declaration of interests, that had been registered on Companies House in 2022. Furthermore, J Tisdall had not disclosed a recent directorship, added to Companies House in December 2023.</p> <p>One Trustee, P Ireton, had not completed a declaration of interest form for the 2023/24 academic year.</p> <p>The interests declared by R Wyld had not been included on the Trust's website.</p>	<p>It is recommended that the signed declaration of interest forms are cross-checked against Companies House to ensure all related parties have been disclosed.</p> <p>If an updated declaration of interest form cannot be obtained from Trustees, then alternative confirmation, such as an email, should be requested from the Trustee to confirm there are no changes to their interests.</p> <p>It is also suggested that the website is updated with any new interests for existing and new trustees as soon as the Trust is notified of the pecuniary interest.</p>		<p><b>Management Response:</b></p> <p>We agree with the recommendations made and will ensure they are implemented from September 2024 when the new declarations will be completed.</p>

<p>2.</p>	<p><b>Lack of IT/cyber security risks</b></p> <p>The risk register has few cyber security risks. Whilst additional risks are included on their Digital Standards Review form, the likelihood and impact of each risk has not been assessed by the Trustees or linked to the risk register.</p>	<p>It is recommended that the risks on the Digital Standards Review are incorporated into the risk register. This could be achieved by giving a RAG rating to the risks within the review or referencing the information in the Digital Standards Review within the risk register. This will ensure that these additional risks are reviewed alongside the register on an annual basis.</p>		<p><b>Management Response:</b></p> <p>The Digital Standards Review document will be updated in the Autumn term to reflect any changes that have occurred, including the addition of new schools that have joined the Trust. As per the recommendation we will RAG rate each standard and will reference the document on the Trust risk register.</p>
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### 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

