Ashley Hill Multi Academy Trust

Internal Assurance Report

Spring Term 2020

8 June 2020

Scope of Report

An internal assurance review was undertaken of Ashley Hill Multi Academy Trust in accordance with the terms of engagement between James Cowper Kreston and Ashley Hill Multi Academy Trust.

The review has been undertaken to provide an independent assurance report to the Academy's Governors and Finance Committee on the adequacy and effectiveness of the financial control environment operating within the Academy in accordance with the requirements contained in the Academies Financial Handbook.

Where weaknesses in the systems of internal control have been identified, we have included recommendations for improvements.

We have reviewed recommendations made in previous reports to ensure improvements have been made.

A summary of the findings for each procedure and control reviewed and any recommended actions for improvement is detailed in the report.

The programme of work will be reviewed for the next internal assurance visit and additional reporting carried out as is considered necessary. We welcome input from management and the Governors, and have included areas which could be covered in future visits.

This report has been prepared for the sole use of the Governing Body and management of an Academy and must not be shown to third parties without our prior consent. No responsibility is accepted by James Cowper Kreston towards any party acting or refraining from action as a result of this report.

Follow up on previous reports

Control weakness:	Findings from current visit:	Any further follow up required:
Audit Management letter:		
Capital expenditure is being recorded to the SOFA. Whilst a fixed asset register is held, this is currently not being updated and depreciation not being calculated. The fixed asset register does not contain the source of funding.	The fixed asset register is being updated and depreciation is being calculated. However, the register does not contain the source of funding.	Source of funding to be added to the fixed asset register. This will be followed up during the next internal assurance review.
It was noted during testing that certain transactions such as loan repayments have been incorrectly posted to the SOFA.	It was noted during our review that loan repayments are still being posted to the SOFA. However, it was noted that this is now being rectified.	No further action required.
Accruals and prepayments have not been calculated or posted. The balances held on the balance sheet, before audit adjustments, are from previous years.	It was noted during our review that balances have been calculated this year although they still contain brought forward balances from previous years.	Ensure accruals and prepayments are calculated at the year end and any prior year balances are reversed. This will be followed up during the next internal assurance review.

Items covered this visit

Item tested:	Findings:	Action required:
Regularity and Compliance		
Completion of required submissions to ESFA on a timely basis.	It was confirmed that all submissions for the year were completed on time. The Budget Forecast Return Outturn which was due in May was cancelled due to the Covid-19 pandemic.	No further action required.
Gifts and hospitality.	Policies around gifts and hospitality is documented with the Trusts Financial Procedures Manual. Two payments were noted relating to leaving gifts for staff members. Each were below the £35 limit set out in the Financial Procedures Manual.	No further action required.
Ex-gratia and honorarium payments.	It was confirmed that no ex-gratia or honorarium payments were made during the year.	No further action required.
Debt procedures write-off.	It was confirmed that no bad debt write offs were made during the year. No potential bad debts were noted during our review.	No further action required.
Procedures around identified fraud or theft.	It was noted that procedures around identified fraud or theft are documented within a dedicated anti-fraud and corruption policy document. Financial Procedures Manual. These were discussed with the School Business Manager and Finance Officer and were considered appropriate.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Regularity and Compliance		
Procedures regarding entering into loans.	It was confirmed that no loans were entered into during the year other than ESFA Salix Loans	No further action required.
Governance structure.	Structure reviewed and found to be appropriate. It was noted that there are currently 3 members of the Trust. The ESFA's preference is for Trusts to have at least 5 members.	No further action required.
Compliance with governance requirements in relation to the website.	The Trust's website has been reviewed reviewed and was found to meet all requirements set out in the Academies Financial Handbook.	No further action required.
Scheme of delegation.	Scheme of Delegation reviewed and found to be appropriate.	No further action required.
Registers of business interests.	Registers of Business Interest reviewed and found to be appropriate.	No further action required.
Appropriate logging of appointments and resignations.	Policy for Trustees appointments and resignations reviewed and found to be appropriate.	No further action required.
Review of reserves policy	The reserves policy is documented within the Finance Procedures Manual. This currently equated to 4 weeks' of expenditure which equates to approximately £180k. The current level of free reserves is above this.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Month End Procedures		
Are opening balances correct and appropriately rolled forward.	Opening balances tested with no issues noted.	No further action required.
Have funds been carried forward correctly in the accounting system.	Opening balances tested with no issues noted.	No further action required.
Review of any funds not held in the accounting system and consider appropriateness of treatment.	It was confirmed that there are no funds not held in the accounting system.	No further action required.
Review of fixed asset policy. Compare with fixed asset register and ensure all additions are appropriately identified and capitalised.	The policies were reviewed and consistently used throughout fixed asset register. Additions have been recorded to a separate SOFA account which will be transferred to the balance sheet as part of the year end process.	No further action required.
Review asset depreciation policies for reasonableness.	The policies were reviewed and consistently used throughout fixed asset register.	No further action required.
Review fixed asset register to ensure it includes all key information.	The fixed asset register was reviewed. It was noted that the register does not currently disclose the source of funding.	The source of funding used to purchase the asset should be shown on the fixed asset register. This will be followed up during next internal assurance review.
Review of bank reconciliation preparation and authorisation, including actions taken against older items.	Bank reconciliations were reviewed with no issues noted surrounding preparation or authorisation.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Month End Procedures		
Process for reconciling any other bank deposits.	It was confirmed that the Trust does not hold any bank deposits.	No further action required.
Review of petty cash reconciliations and control procedures.	It was confirmed that the Trust does not hold any petty cash.	No further action required.
Review of control account reconciliations and authorisation.	Control account reconciliations were reviewed with no issues notes surrounding preparation or authorisation.	No further action required.
Review of process for identifying accruals and deferred income, prepayments and accrued income, other debtors and other creditors.	Processes were reviewed with only one point noted. Brought forward balance balances have not been reversed in the current year.	Accruals, prepayments, deferred/accrued income should be maintained. Brought forward balances should be reversed out.
Review of stock holding and safeguarding procedures.	It was confirmed that the Trust does not hold any stock.	No further action required.
Review of financial procedures manual and compliance with key process flows with documented procedure.	Financial procedures manual reviewed with policies deemed reasonable.	No further action required.
Consider appropriateness of accounting system and nominal ledger for the size and structure of the Trust.	The Trust uses Sage Line 50. This is one of the software providers recommended by the DfE and is therefore deemed appropriate for the trust.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Procurement		
Review of goods receipt process.	Procedures relating to the goods receipts process is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of invoice processing arrangements and adherence to these.	Procedures relating to the invoice processing arrangements are documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of procedure around use of bank cards and adherence to these.	Procedures relating to the use of bank cards is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of major purchases in the period and ensure procedures have been followed.	It was confirmed that there were no major purchases during the year. The new classroom buildings at Knowl Hill is an ongoing project that commenced during 2018/19.	No further action required.
Review of process for expense claims and adherence to these.	It was noted that there is no specific policy on staff expense claims within the Financial Procedures Manual. A sample of expense claims were reviewed and found to be correctly authorised.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Payments		
Review of BACS payment procedure.	Procedures relating to BACS payments is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of cheque payment procedure.	Procedures relating to cheque payments is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of procedures relating to supplier payment details set up and changes.	It was noted that there is no separate policy relating to setting up or changing supplier payment details within the Financial Procedures Manual. However, from discussions with the School Business Manager and Finance Officer, we note that appropriate procedures are in place.	The Trust's policy on setting up or changing supplier payment details should be documented in the Financial Procedures Manual.
Consideration of controls around payment fraud.	Procedures relating to cheque payments is documented within the Anti-fraud and corruption policy document. This has been reviewed and is considered appropriate.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Income		
Review of income streams received by the Trust.	Income streams were reviewed with no issues to note.	No further action required.
Review of collection procedures.	Procedures relating to the Trust's collection procedures are documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of process for recording income from receipt to entering on financial system.	Procedures relating to the recording of income is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of any cashless systems used and process for reconciling between the cashless system, bank account and financial system.	It was confirmed that the Trust does not utilise a cashless system.	No further action required.
Review of nominal code structure for income and appropriateness thereof.	Nominal code structure for income was reviewed and considered appropriate. It was discussed with the Finance Officer that income codes could be split out into more detail for management reporting purposes.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Payroll		
Review of procedures for notifying payroll of monthly payments and adherence to these.	Procedures relating to notifying payroll of monthly payments is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of procedures for notifying payroll about starters and leavers and adherence to these.	Procedures relating to notifying payroll of starters and leavers is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of procedures for approval of payroll and adherence to these.	Procedures relating to approval of payroll is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Review of controls around access to payroll information.	Procedures relating to controls around access to payroll information is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.

Items covered this visit

Item tested:	Findings:	Action required:
Payroll		
Review of payments process and adherence to this.	Procedures relating to payroll payments is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate.	No further action required.
Check a sample of salaries paid back to personnel files and pay scales.	A sample of 5 staff members personnel files were reviewed and agreed back to payroll records. It was noted that whilst pay review letters are sent out in September each year, letters are not sent out again for the annual changes to pay scales.	Ensure changes in pay are formally communicated to staff members.

Conclusion

Issue	Implication	Risk
Regularity and Compliance		
No issues noted		
Month End Procedures		
• Fixed asset register does not show the source of funding for each asset.	• Assets may not be allocated to the correct fund in the accounts.	• Low
• Brought forward balances are included within the accruals, prepayments, deferred and accrued income.	• Balances are overstated if brought forward balances are not reversed out.	• Low
Procurement		
No issues noted		
Payments		
• Policy on setting up or changing supplier payments details is not currently documented in the Financial Procedures Manual.	• Policies may not be adhered to.	• Low

Conclusion

Issue	Implication	Risk
Income		
• Pay rise letters for employees are not sent for changes in pay scales.	• Employees could be paid incorrectly.	• Low
Payroll		
No issues noted		

These action points will be reviewed at the next internal assurance visit or audit.

Appendix

Below are some of the areas that could be reviewed during the internal assurance visits:

Our work programme in these areas will give assurance through reviewing the robustness of procedures, the effectiveness of controls and the sampling of transactions to ensure the controls are operating as planned.

Regularity and Compliance

- Completion of required submissions to ESFA on a timely basis;
- Gifts and hospitality;
- Ex-gratia and honorarium payments;
- Debt procedures write-off ;
- Procedures around identified fraud or theft;
- Procedures regarding entering into loans;
- Governance structure;
- Compliance with governance requirements in relation to the website;
- Scheme of delegation;
- Registers of business interests;
- Appropriate logging of appointments and resignations;
- Review of reserves policy.

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Month End Procedures

- Are opening balances correct and appropriately rolled forward;
- Have funds been carried forward correctly in the accounting system;
- Review of any funds not held in the accounting system and consider appropriateness of treatment;
- Review of fixed asset policy. Compare with fixed asset register and ensure all additions are appropriately identified and capitalised;
- Review asset depreciation policies for reasonableness;
- Review fixed asset register to ensure it includes all key information;
- Review of bank reconciliation preparation and authorisation, including actions taken against older items;
- Process for reconciling any other bank deposits;
- Review of petty cash reconciliations and control procedures;
- Review of control account reconciliations and authorisation;
- Review of process for identifying accruals and deferred income, prepayments and accrued income, other debtors and other creditors;
- Review of stock holding and safeguarding procedures;
- Review of financial procedures manual and compliance with key process flows with documented procedure;
- Consider appropriateness of accounting system and nominal ledger for the size and structure of the Trust.

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Budgeting and Financial Management

- Review of all financial forms submitted to the ESFA;
- Review of the procedures followed in preparation of the above reports prior to issuing to governors;
- Consider adequacy of budgeting process in terms of detail produced and time period considered;
- Undertake a review of the financial forecasts prepared, including consideration of the data used for current and future pupil numbers, other income streams, wages and salaries costs, other costs, asset replacement cycles, future contingencies;
- Review of budget monitoring procedures;
- Consideration of financial information provided to the governors.

Procurement

- Review of process for achieving value for money;
- Review of contract schedule and contracts contained therein;
- Review of documented financial procedure for procurement;
- Review of quotation and tender limits and adherence to these;
- Review of requisition and ordering procedures and adherence to these;
- Review of systems to ensure commitments are recorded;
- Review of goods receipt process;
- Review of invoice processing arrangements and adherence to these;
- Procedures for transactions with related parties;
- Review of procedure around use of bank cards and adherence to these;
- Review of major purchases in the period and ensure procedures have been followed;
- Review of process for expense claims and adherence to these.

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Payments

- Review of documented financial procedures for payments;
- Review of cheque payment procedure;
- Review of BACS payment procedure;
- Review of procedures relating to supplier payment details set up and changes;
- Review of payments made during the period to ensure adherence to procedures;
- Consideration of controls around payment fraud.

Capital and contract management

- Review process for managing significant capital contracts;
- Review of process for appointing external consultants;
- Where external consultants are appointed how are their credentials verified;
- Where external consultants are used is their level of insurance cover verified;
- Review process for appointment of main contractor and ensure process adheres to financial procedures manual;
- Review the progress of capital contracts and ensure any income is recorded appropriately and payments are made in accordance with contractual terms;
- Review process for making first payment to contractor;
- Review process for ensuring governing body are aware of progress and risks as project progresses.

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Income

- Review of income streams received by the Trust;
- Review of collection procedures;
- Review of process for recording income from receipt to entering on financial system;
- Review of cash income received and procedures to prevent theft;
- Review of any cashless systems used and process for reconciling between the cashless system, bank account and financial system;
- Review of a sample of non-grant income streams to ensure processes minimise risk of loss to the Trust;
- Review of nominal code structure for income and appropriateness thereof;
- Review a sample of nominal codes to ensure correct recording of income;
- Review processes for recovering debtor balances;
- Review of process for safeguarding cash and cheques prior to banking;
- Review banking processes;
- Review claim forms for insurance grant and verify back to source documentation;
- Review claim forms for rates grant and verify back to source documentation.

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Vehicles

- Review usage of vehicles by staff members;
- Review process for undertaking checks on drivers;
- Check all evidence of eligibility to drive is held on personnel files;
- Review of log books for any unauthorised mileage;
- Review procedures around vehicle safety and pre-usage checks;
- Review responsibility for vehicles maintenance and ensure records are kept;
- Review insurance cover to ensure covers all purposes and drivers;
- Review process for logging a potential issue and response to concerns.

Risk management and insurance

- Review of risk register;
- Review of processes for consideration of risk reduction;
- Review of business continuity plan;
- Review of adequacy of insurance levels in terms of value of assets and activities of the Trust;
- Review of complete asset inventory list;
- Review of security procedures, including access granted to key holders;
- Review of usage of safes and other security measures;

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Payroll

- Review of procedures for notifying payroll of monthly payments and adherence to these;
- Review of procedures for notifying payroll about starters and leavers and adherence to these;
- Review of procedures for approval of payroll and adherence to these;
- Review of controls around access to payroll information;
- Review of payments process and adherence to this;
- Review of process for making any payments in kind;
- Review of payments made through personal service companies and assessment of risk to the Trust;
- Review for any conflict of interest in payroll or expense authorisation process;
- Check a sample of salaries paid back to personnel files and pay scales;
- Check a sample of amendments to ensure authorised and agrees to authorised documentation;
- Review procedures around redundancy or severance payments. Ensure that rules within the Academies Financial Handbook are considered and all procedures are adhered to;
- Test check a sample of payroll deduction calculations;
- Test check a sample of pension deductions to ensure correct rates;
- Select a sample of starters and agree details to offer letter;
- Review balance sheet payroll reconciliations to ensure appropriately prepared;
- Review expenditure payroll reconciliations to ensure appropriately prepared;
- Review procedures for amending staff bank account details.

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IT

- Review of asset inventory recording procedures and consideration of unique marking security;
- Review of system back up procedures and storage;
- Review of guidance given to staff over IT usage;
- Review of guidance given to staff over IT security;
- Review of access rights to data on the system;
- Review of process for implementing updates to systems;
- Consideration of use of cashless systems.

VAT, Corporation tax and other taxes

- Review VAT position and ensure correct methodology is being adopted by the Trust;
- Review workings to ensure VAT is being correctly reclaimed;
- Review other income streams to consider any trading activities that could be subject to Corporation tax;
- Consider any benefits given to staff and review the completion of P11d forms prepared for completeness.