



PEASLAKE FREE SCHOOL

Summary Internal Audit Report

2019 – 2020



Internal Audit visits

There was one visit carried out in December 2020.



Contents Page

Background and Scope.....	1
Introduction	5
Summary of Overall Findings	6
Definition of Assurance Levels and Recommendations.....	7
Summary of Current Year Recommendations	8
Overview	9
Summary of Prior Year Recommendations.....	13

Background and Scope

1.1 Audit overview

All Trust trusts **MUST** have a programme of internal scrutiny to provide independent assurance to the Board that its financial and other controls, and risk management procedures, are operating effectively.

The Trust **MUST** establish an audit committee, appointed by the Board. Trusts with an annual income over £50 million **MUST** have a dedicated audit committee and other trusts **MUST** either have a dedicated audit committee or can combine it with another committee. The Finance, Audit and Estates Committee *should* meet at least three times a year. The Finance, Audit and Estates Committee's role **MUST** include directing the trust's programme of internal scrutiny and reporting to the Board on the adequacy of the Trust's financial and other control and management of risks.

We have conducted the internal audit assignment in terms of the approved plan and as confirmed in our letter of engagement to you. The areas to be covered were as agreed with the Finance, Audit and Estates Committee prior to commencing our review. The time period covered for our review is the financial year ended 31 August 2020. Audit procedures have been planned and performed to evaluate the adequacy, efficiency and effectiveness of the Trust's governance, risk management and control procedures.

The specific areas reviewed during the year are as detailed on page 8.

Our work completing the Internal Audit role of the Trust does not constitute an audit of the financial statements in accordance with Auditing Standards. Consequently our work does not provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, other irregularities or error.

Our main role as internal auditors is to provide an independent review as to whether:

- The financial responsibilities of the Trustees are being properly discharged;
- Resources are being managed in an efficient, economical and effective manner;
- Sound systems of internal financial control are being maintained; and
- Financial considerations are fully taken into account in reaching decisions.



Background and Scope (cont'd)

We maintained a written record of the tests we performed, and we are reporting to you and the Finance, Audit and Estates Committee, our work performed and the results of our testing. We have, where appropriate made suggestions for improvements to financial systems and procedures.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Board of Trustees as a body, for our work or our report. If you wish, or are asked, to provide a copy of our report to a third party you must seek our consent before you do this. You are not entitled to disclose our work to a third party without our express permission.

Whilst every effort has been made to state all the facts fairly and accurately, notice is hereby given that:

- All statements contained herein are made by Azets without responsibility and are not to be taken or relied upon as statements of fact or representation of fact.
- No representation or warranty as to the accuracy, express or implied, of any statement herein is made or given. No partner of Azets or any person in its employment or any agent appointed by it has any authority to make or give any representation or warranty whatsoever in relation to the Trust and its assets and liabilities.
- The reader must satisfy themselves as to the correctness of the statements contained herein and in no event shall Azets be liable for any loss or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the management team, employees or agents.
- This report has been prepared on the basis of the information and explanations supplied to Azets during the review. This report has not been updated for any subsequent information which may become available after this date.
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Background and Scope (cont'd)

1.2 Compliance with professional standards

We have complied with the standards for the International Standards for the Professional Practice of Internal Auditing as issued by the Chartered Institute of Internal Auditors.

1.3 Management responsibilities for risk and internal control

Management is responsible for the establishment and maintenance of effective systems of internal control to ensure that certain key objectives are met as detailed below:

- Financial and operational information is timely and reliable;
- Operations are effective and efficient;
- Assets are safeguarded; and
- Laws, regulations, policies and procedures are complied with.

Risks are communicated and controls are put in place to mitigate any perceived risks.

1.4 Sources of information

Discussions were held with management and staff members who were responsible for the specific processes. The audit work was based on enquiries with the relevant employees, observation, confirmation and validation to supporting documentation such as contracts, agreements and invoices.

The information contained in this report has been prepared from the records of the Trust and from discussions and correspondence as noted above.



Background and Scope (cont'd)

1.5 Our contact details

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Introduction

The Peaslake Free School was incorporated on 26 January 2012.

We undertook one visit at the Trust covering the MUST requirements of the Academies Financial Handbook.

An overview of the results of the reviews of the Trust is included in this report.

Summary of Findings

Below is a table detailing the summary of findings for the specific areas that were noted during the internal audit process at the Trust;

<u>Recommendations Summary</u>		
Priority	No. of Recommendations	Area of Recommendations
Significant	2	Roles and responsibilities and internal scrutiny
Merits Attention	9	Money and oversight, relationships, roles and responsibilities, main financial requirements, annual accounts and external audit and the regulator and intervention
Housekeeping	2	Main financial requirements and the regulator and intervention
Total	13	

Conclusion

Negative assurance		Positive assurance	
No assurance	Partial assurance	Reasonable assurance	Substantial assurance
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Taking into account the issues identified, the Trustees can take reasonable assurance that the controls in place to manage the risks within the areas tested are suitably designed and consistently applied. We have however identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risks.

Definitions of Assurance Levels and Recommendations

The following shows the full range of assurance levels available to us, which reflects the level of assurance the board can take over the work performed.

Assurance level	Adequacy of system design	Effectiveness of operating controls
Substantial assurance	Comprehensive system of controls to meet the control objective.	Controls are being consistently applied.
Reasonable assurance	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	Some non-compliance with some of the controls. Some issues identified that, if not addressed, increase the likelihood of the risk materialising.
Partial assurance	There is a general weakness in control systems.	Non-compliance with some of the controls, action needs to be taken to ensure this risk is managed.
No assurance	Control environment is weak and is open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

Recommendation Grading	Definition
Significant	Recommendations represent fundamental control weaknesses.
Merits attention	Recommendations represent some control weaknesses which merit the attention of management.
Housekeeping	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Summary of Current Year Recommendations

Below is a table detailing a summary of recommendations for specific areas noted during the 2019/20 internal audit process:

Audit Area	Priority	Number of Recommendations	Number of Outstanding Points
Roles and responsibilities	Red	1	
	Yellow	4	
Money and oversight	Yellow	1	
Main financial requirements	Yellow	1	
	Green	1	
Relationships	Yellow	1	
Internal scrutiny	Red	1	
Annual accounts and external audit	Yellow	1	
The regulator and intervention	Yellow	2	
	Green	1	

Overview

Areas reviewed and tests performed	(Y/N)
Financial Procedures, Accounting Records and Systems	
Financial procedures are documented and adhered to.	Y
Appropriate segregation of duties is in place.	Y
Continuity of processing is covered within the Finance Manual.	Y
The Trust is operating the accounting system effectively and securely.	Y
Register of Pecuniary Interests	
The Trust has an up to date Register of Pecuniary Interests including all Trustees, Senior Leadership Team and key staff with financial responsibilities.	Y
Whistle Blowing Policy	
The Trust holds a Whistle Blowing Policy that has been approved by Trustees, and is readily available to staff.	Y
New Governor Induction Pack	
New members of the Local Governing Body are adequately inducted.	Y
Related Party Transactions	
Any business interests are adequately communicated to the finance team.	Y
Appropriate statements have been submitted, with invoices, confirming that work undertaken by any supplier that meets the definition of a related party has been undertaken at cost, with no element of profit.	N
The ESFA have been notified, and approval obtained, for related party transactions exceeding £20,000.	N/A
Adequate controls are in place to ensure compliance with the related party 'at cost' requirement.	N
Year-end Procedures	
The Trust's financial statements have been independently reviewed and submitted within the required timescale.	Y
Risk Register	
The Trust has a sufficient risk register in place which is in accordance with best practice (4T approach).	Y

Overview – (cont'd)

Areas reviewed and tests performed	(Y/N)
Monthly Management Reporting and KPIs	
Monthly management reports are prepared on a monthly basis and include; income and expenditure account, variation to budget report, cashflows and a balance sheet.	N
A summary of management accounts is presented at each Local Governor's meeting.	Y
Budgetholders receive a monthly report of their expenditure commitments against their budget.	Y
Adequate supporting schedules are prepared alongside monthly management reports.	Y
The Trust has selected key financial performance indicators, and measures its performance against these regularly (and includes an analysis in the annual Trustee's report).	N
Budgeting & Cashflows	
The Trust has an annual budget that is realistic, has been approved by Trustees and has been submitted to the ESFA within the required timescale.	Y
The Trust was able to provide an example of where value for money is being achieved.	Y
Compliance & Governance	
The Trust has complied with relevant ESFA guidelines tested.	N
The Trust has complied with the governance requirements tested.	N
The Trust has complied with the regularity requirements tested.	Y
The Trust has up to date Safeguarding and Bribery policies, and staff have received adequate training.	Y
Issues raised in the prior year management letter have been resolved.	N/A
The Trust has complied with the internal scrutiny requirements tested.	N



Overview – (cont'd)

Areas reviewed and tests performed	(Y/N)
Procurement	
There is adequate control over the purchase of goods and services.	Y
There is adequate control in respect of staff expense claims.	N
The school has a tendering policy in place which has been adhered to.	Y
Gifts & Hospitality	
The school has a policy in regards to Gifts & Hospitality which is adhered to.	Y