

Peaslake Free School

Financial Scrutiny Report 2021/2022

1.0 Introduction

Independent assurance that the trust's financial and other controls, and risk management procedures are operating effectively, is provided to the Board of Directors, through a process of internal scrutiny directed by the trust's Finance, Audit and Estates Committee. This committee met 3 times in the academic year 2021/22, and reported to the governing body after each meeting. A separate audit committee was convened in February 2022 and separate minutes from the audit committee can be found at Annex A.

2.0 Approach to Internal Scrutiny

Internal scrutiny was carried out by a suitably qualified non-employed trustee, using a control framework covering governance, systems access and all the key financial processes of the school. Reviews of the delegations matrix and the financial procedure documents along with a transactional audit on the financial processes took place during the year. Financial management and performance against the budget and forecast were reviewed at each finance committee and the Free School Governors meetings.

3.0 Assessment of the work undertaken

The findings from the internal scrutiny reviews were discussed at the internal audit meetings. All financial processes and controls were reviewed and recommendations made to strengthen controls, where needed.

4.0 Summary of Work Undertaken

The control framework was established and used to ensure that controls were operating effectively. The key areas of testing are outlined below.

Date of Meeting/Method	Area Reviewed	Key Recommendations
1/03/2022	Governance	Delegation matrix & risk register review
1/03/2022	Systems Access	Review policy password setting, check risk register for finance disaster plan
1/03/2022 – Transactional audit	Purchase to pay	Refine process and forms used
1/03/2022–	Payroll	Review pay sign off and overtime processes
1/03/2022– Transactional audit	Expenses	Review policy and staff training
1/03/2022	Hire to Retire	Review Trustee pay rise signoff process
8/03/2022– Transactional audit	Fixed assets	Review policy & capitalisation threshold. Introduce annual check
8/03/2022	Record to Report	Review monthly close process, balance sheet review
8/03/2022– Transactional audit	Tax & Treasury	Review bank reconciliation & account opening processes
26/08/2022	Delegations Matrix	Review & ensure it's consistent with financial procedures
26/08/2022	Financial procedures	Review and align with delegations matrix

5.0 Key Findings and Conclusions

The internal scrutiny that has taken place during the year has not found any areas of concern regarding the key controls, risk management and governance of the Peaslake free School. Finance policies and procedures are in place and are being followed. The financial management of the school is strong and financial performance is reviewed regularly by the governors and the finance and audit committee.

6.0 Fraud

There was no fraud detected in 2021/22.

7.0 Cost of Work

The internal scrutiny work was carried out by Governor who is a qualified accountant and therefore was free of charge.

8.0 Forward Look

A new accounting software package was introduced during 2021/22 and will be fully operational in the academic year 2022/23. The audit committee will need to ensure that this accounting package is working correctly and that financial reporting is consistent with the accounting records.

An audit plan is in place for 2022/23 (Annex B) and processes will be reviewed and transactional testing undertaken to ensure that the controls are working effectively and recommendations from the internal scrutiny in 2021/22 have been implemented.

Annex A

Peaslake Free School

Minutes of Internal Audit Committee

Tuesday 1st March 2022

In Attendance: David Newman (DN), James Cobb (JC), Janette Weller (JW), Moira Jones (MJ)

1st Meeting No previous minutes to review

1. Financial Review – this took place within the Finance, Audit & Estates Committee held before the internal audit meeting. Reasons for variances to budget were discussed and the adjustments to the forecast will be actioned by David.
2. Reviewed the external auditors report on financial control systems for the last academic year. Only 3 minor points raised which David is looking in to and will action the appropriate changes.
3. Review of audit plan and preliminary audit findings. The Internal Audit Committee agreed to adopt the Internal Controls Framework put forward by Moira. This will be used for the internal audit of controls and governance of the Free School. **Action to check the independent audit findings of the previous year to ensure that these have been included. MJ**
4. The 1st internal audit took place on Tuesday 1st March when Moira reviewed part of the controls framework with Janette. A 2nd meeting to complete the review of the framework was scheduled for Tuesday 8th March 2022. A number of control change were identified which will be summarised after the 2nd meeting has taken place. **MJ**
5. Review of Peaslake Free School risk register. The committee reviewed the current risk register and there was a discussion as to whether these were the correct risks to be assessing as the risk register had been completed pre Free School when the biggest risks were lack of funding. **Action on James to find a more relevant risk register from other Free schools that we could use.. JC**
6. Review of Audit plan. **Moira to complete the audit plan for the next meeting. MJ**
7. AOB None

Peaslake Free School

Minutes of Internal Audit Committee

Tuesday 14th June 2022

In Attendance: David Newman (DN), James Cobb (JC), Janette Weller (JW), Sara Dangerfield (SD), Moira Jones (MJ)

Review of Last Meetings Minutes

Independent audit findings – checked and incorporated into the audit action plan (MJ)

Risk register James has provided a copy of a draft risk register to review at meeting

Control action list To be completed now David has reviewed the internal control questions MJ

8. Financial Review –

- a. This took place within the Finance, Audit & Estates Committee held before the internal audit meeting. Reasons for variances to budget were discussed and the adjustments to the forecast will be actioned by David. The outcome for the year has improved from the previous forecast. See minutes for the Finance, Audit & Estate Committee for more detail.
- b. Need to check what was included on the end of year balance sheet to ensure that a balance sheet can be produced monthly, this should come from the accounting package. **(MJ)**
- c. Check the actions from the end of year external audit and incorporate in the internal audit action list. **(MJ)**
- d. Review of the procedures and delegation matrix needed. **Action: MJ**

9. Internal Audit Plan/ Internal Audit

- a. Moira provided a copy of the internal audit plan for the next 3 years, this was approved by the committee.
- b. David to review the questions from the internal control audit findings in February and March 2022. **Action DN**
- c. Janette to provide a copy of the fixed assets register. **Action: JW**
- d. Moira to summarise the Azets findings and to produce a summarised list of actions from both the Azets report and the internal audit which took place in Feb/Mar 2022 **Action: MJ**

10. Risk Register

- a. James had sent a copy of a draft schools risk register, which the committee agreed could be adapted and used for the Free school.
- b. Review of the risk register items in the meeting to ensure all are relevant. The items on the risk register broadly aligned with the internal control framework.
- c. Following the meeting everyone should carry out a final review of the register and check the Control Measures Column **Action: All**
- d. The risk register will be reviewed at each Finance and Audit Committee meeting

11. Finance Policies and Procedures

- a. David to email Moira the latest copy of the finance procedures and delegations matrix to review and ensure that the documents are consistent. **Action: DN/MJ**

12. AOB None

Annex B

Internal Scrutiny Plan 2022/23

Sep - Dec Compliance	Jan - Mar Finance Transactional Audit	Apr- Aug Operation
Internal Audit Review Estates Health & Safety Compliance Website & Policy GDPR Statutory Accounts Review actions from framework audit	Processes Cash, Bank Procurement Management Accounts Payroll Fraud	Budget HR Recruitment/Retention Culture IT Safeguarding Governance Business Continuity