

Chancery Multi Academy Trust

Annual Summary of Internal Audit Findings

Year Ended 31st August 2021

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Introduction and Scope of Engagement

The following report and information has been prepared for the Audit Committee of Chancery Multi Academy Trust.

As noted in our initial tender documents, this engagement was for internal audit services, to assist the Trust in remaining compliant with the Academies Financial Handbook (AFH), specifically section 3 – Internal Scrutiny, including the new requirements for 2020/2021. Academy Trusts must now report to the ESFA on their Internal Scrutiny Programme. More detailed guidance can be found using the following link:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/internal-scrutiny-in-academy-trusts>

Internal v External Audit

For clarification, this exercise forms part of the Trust's internal scrutiny programme and is not part of the external audit process. The objective here is to assist the Trust in reviewing and maintaining a sound system of internal control. The external audit process may also look at some of these aspects but is focused on the statutory financial statements of the Trust, with a key objective being to ensure that those financial statements provide a "true and fair" view for the year under review. This internal audit exercise does not focus on the statutory financial statements.

This engagement and our approach

The work conducted was in line with the tender documents and to cover the following areas requested by the Trust:

- Income
- Purchasing
- Payroll and HR
- Monthly financial closedown
- Management accounts
- Other

As noted in our tender document and on the link above, there are other areas of internal control which the Trust may wish to consider for future internal audit reviews.

It was initially agreed that the work would be conducted onsite at St. Teresa’s and then at the individual academies. We would like to thank the finance team for their assistance in providing the necessary information and responding promptly to any queries.

We have used the suggested format of the ESFA in grading any issues raised as follows:

High	The academy trust is subject to levels of fundamental risk or inefficiency where immediate action should be taken to implement an agreed action plan;
Moderate	Attention should be given to resolving the position as the academy trust may be subject to significant risks or inefficiency;
Low	Desirable improvements could be made to improve the financial control framework or strengthen the ability to mitigate against risks and improve efficiency;
Best Practice	Point brought to the attention of management as best practice only and the issue raised does not impact the overall control environment

The matters raised in this report are only those which came to our attention during the course of this review, conducted in accordance with our understanding of the Trust’s financial procedures as outlined in our tender documents. This report is not necessarily a comprehensive statement of all weaknesses that may exist or improvements that could be made. Any recommendations made should be considered alongside the findings from the Trust’s external audit and given due consideration before implementation.

This report is solely for the use of the Audit Committee and should not be relied upon by any other third party. If any third party does rely on this document, they do so at their own risk. To the fullest extent permitted by law, Hardings Chartered Accountants will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of any nature which may be caused by reliance on representations in this report.

As with all our academy engagements, our aim is to provide help and assistance and not to “catch anyone out”. If you would like to discuss the contents of this report in more detail or any areas to consider for any future assignments, then we would be more than happy to do so.

Summary of Issues and recommendations

A summary of the findings raised is provided below:

Remaining at year-end

Priority rating	No. Financial Reporting	No. Governance & Risk	Total
High	1	-	1
Moderate	-	-	-
Low	3	-	3
Best Practice	-	5	5

Cleared during the year

Priority rating	No. Financial Reporting	No. Governance & Risk	Total
High	-	-	-
Moderate	-	-	-
Low	-	-	-
Best Practice	-	1	1

Recommendations – Financial Reporting

No	Finding	Associated risk	Recommendation	Management Response	Risk Rating
1	Postings to PS Financials closely matched the invoice reports from the Nursery manager system, however the overall debtor balances could not be reconciled between the two systems.	Risk of fraud where amounts are recorded as received on the nursery manager system.	Reasons for the difference between the two systems should be investigated. Alternatively, the debtors should be maintained in PS Financials eliminating the need for a reconciliation of the systems provided the Invoice list per Nursery manager matched the amounts posted to PS Financials.		High
2	Overtime forms were not authorised by the appropriate line manager.	Overtime may be inappropriately paid.	Overtime forms should be authorised by the appropriate line manager.		Low
3	There were several old balances on aged debtors and aged creditors lists as well as a number of open items that net down to nil.	May be carrying balances on sales and purchase ledgers that ought to be written off.	If possible Aged creditor and Aged debtor listings should be tidied up and any older items written off if appropriate.		Low
4	An up to date Fixed Asset Register is not maintained on a monthly basis.	Fixed Asset expenditure may not be identified.	The Fixed Asset Register should be reviewed and updated on a monthly basis to ensure all items of a capital nature are appropriately recorded in the accounts.		Low

Recommendations – Governance and Risk

No	Finding	Associated risk	Recommendation	Management Response	Risk Rating
1	The Skills Matrix across the Trust was not fully up to date and included resigned members and had omissions of appointments.	Potential unidentified skills shortage.	The Skills Matrix should be kept as up to date as possible to ensure no gaps in the various boards arise.		Low
2	There is no way to determine whether or not value for money has been obtained during the tender/quoting process	Trust may not be obtaining value for money, as required by the Financial Handbook.	Quotes should be assessed using a weighted decision matrix whereby required criteria (e.g. price, supplier reputation etc) are given a weighting. The quote with the best overall score would then be chosen.		Best Practice
3	It was noted during testing that the Salary statements at each school are significantly different in layout.		Salary Statement templates should be consistent across the Trust.		Best Practice
4	Salary statements did not show the pro rata value for part time staff.	Salary statements may be misinterpreted by part time staff	Salary statements should show the pro rata value for part time staff.		Best Practice
5	Payroll reconciliation of amounts to staff are carried out manually.		Budgeting software often has the capability to carry out this process and can save significant time. It may be worth looking into automation of this process.		Best Practice

Recommendations cleared during the year

No	Finding	Associated risk	Recommendation	Original risk rating	Term cleared
1	Berkeley academy's management accounts were in a different format to the rest of the Trust.	Significant time could be lost in using different format if a member of staff from a different school was required to collate these.	All management accounts should be in a consistent format across the Trust.	Low	Summer 2021