# ST MARY'S CE PRIMARY ACADEMY

## Internal Scrutiny Annual Report 2023-24

## Contents

## Executive summary

The systems of Internal Controls are satisfactory and are operating as intended. A few school-specific control weaknesses were noted. The controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

In the course of our work, nothing has come to our attention which suggests the expenditure dispersed and income received has not been applied to purposes intended by parliament. The financial transactions fully appear to conform to the authorities which govern them.

Certain of the areas reviewed during the 23/243 reviews had been previously reviewed during the previous internal scrutiny review cycle. Significant progress in the improvement of controls was evident.

We conclude that the system of internal control established within the Trust is currently effective and that the Trust board is active in developing and improving the controls in place.

## Introduction

We are pleased to provide the Trust board with our annual report. This summary report has been compiled primarily for the purpose of year-end reporting, as defined by the ESFA, for the period 1st September 2023 to 31st August 2024. Detailed internal scrutiny reports have been produced for the Trust executive management and the Strategic committee to enable timely consideration and response.

The primary role of internal audit should be to help the board and executive management protect the assets, reputation, and sustainability of the organisation.
This is done by assessing whether all significant risks are identified and appropriately reported by management to the board and executive management, assessing whether they are adequately controlled, and challenging executive management to improve the effectiveness of governance, risk management and internal controls.

## Approach to work and standards

Our approach to undertaking internal scrutiny review work involves the following;

- Use of the Risk Register to drive the audit plan development
- Focus on a small number of high-value audits
- Coverage across the financial year
- Review of outcomes as well as processes
- Clear and transparent reporting with defined opinions and categories of recommendations
- Follow up of recommendations to ensure their implementation
- Reporting to each Audit and Risk Committee meeting

## Classification of opinions

Our opinions used for the review of each business system describe the level of confidence concerning each business system. The professional practice guidance of the Institute of Internal Auditors has been followed in formulating and expressing them.

We apply five principles in the provision of opinions, namely;

1. Authentic - Opinions are fair, reliable and honest.
2. Transparent - Opinions are qualified with evidence and professional judgement.
3. Strategic - Macro-level information without undue detail.
4. Insightful - Information is engaging and generates discussion.
5. Resolute - Opinion is delivered with courage and conviction.

The opinions gradings are as follows;

| Opinion | Description |
|---|---|
| Inadequate | Findings indicate significant control weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified. |
| Adequate | A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given. |
| Satisfactory | Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended. |

## Assessment of the work commissioned

In accordance with the requirements of the Education and Skills Funding Agency (ESFA) and as included in the Academies Trust Handbook, September 2023, we have carried out an engagement to obtain limited assurance about the internal control framework in place at the St Mary's CE Primary Academy. Our engagement includes examination on a test and sample basis of evidence relevant to the regularity and impropriety of the trust's income and expenditure.

The work undertaken to draw our conclusions includes:

- Analytical review of the trust's general activities to ensure that they are within the Trust's framework of authorities.
- Consideration of the evidence extracted on an independent or remote basis.
- Review of the general control environment for drawing up financial statements.
- Sample testing of expenditure transactions to ensure the activity is permissible within the Trust's framework of authority.
- Confirmation that the expenditure has been appropriately authorised in accordance with the Trust's delegated authorities.
- Formal representations were obtained from the governing body, chief financial officer, and school business officers, acknowledging their responsibilities, including disclosing all non-compliance with laws and regulations specific to the authorising framework.
- Checks that any extra contractual payments, such as severance and compensation payments, have been appropriately authorised and recorded.
- Review charge card expenditures for any indication of personal use by staff or trustees.
- Review of specific terms of grant funding within the funding agreement.
- Review of related party transactions or connections with senior staff, governors, trustees, or members.
- Review of income received in accordance with the activities permitted within the trust's charitable objectives.
- Review of the treatment of taxation.
- Post-internal scrutiny review meetings have taken place between the executive trust leaders and us, where findings and mitigating factors have been considered. As well as allowing us to provide independent advice and guidance, these meetings support the work of the audit and risk committee, enable us to offer advice and insight on how to improve current financial and non-financial controls, help to strengthen risk management arrangements and support the improvement of the trust's internal control framework.
- Detailed reports have been provided for review by the Strategic committee. The reports detail the level of compliance with financial and non-financial controls, assess whether procedures are effective and efficient, and provide compliance statistics to tested Trust controls and procedures.

## Summary of work undertaken 2023-24

| Area of Review | Overall Opinion | Recommendations | Risk Level | Management Response |
|---|---|---|---|---|
| Accounts Payable – Invoice Payments | Effective controls in place. | None | N/A | None Required |
| Financial Planning | The Trust has effective financial planning based on intelligent and robust assumptions that seek to deliver strategic targets. | None | N/A | None Required |
| Employer/Employee Taxation | Payroll arrangements in place currently ensure that employer and employee tax obligations are fully met | None | N/A | None Required |
| Accounts Receivable | Effective controls in place | None | N/A | None Required |
| Insurance | Appropriate insurance is in place for the Trust, its school and the school buildings. | None | N/A | None Required |
| Single Central Record | There are robust Trust controls in place. Effective systems for reviewing the Single Central Record are in place. | None | N/A | None Required |

| | | | | |
|---|---|---|---|---|
| Exchequer Processes | Payroll Changes<br>Effective controls in place | None | N/A | None Required |
| | Staff Additional hours claims<br>Effective controls in place | None | N/A | None Required |
| | Staff Expenses<br>Effective controls in place | None | N/A | None Required |

## Follow-up reviews of earlier work

Follow-up is a process by which internal auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations, including those made by external auditors and others.

The follow-up review of earlier internal scrutiny recommendations conducted during this period is provided in the following table.

| Previous Recommendation | Effectiveness of Response | |
|---|---|---|
| The Trust to fully disclose all governance arrangements on its website | Satisfactory | Timely |

## Overall opinion on governance and control environment, based on the entirety of the scrutiny programme.

We have conducted our engagement in accordance with the Academies Financial Handbook issued by the ESFA. In our opinion, the Trust system of internal financial control is **SATISFACTORY**. It is based on a framework of management information and administrative procedures, which include the segregation of duties and a system of delegation and accountability.

It includes:

- A comprehensive budget and monitoring systems with an annual budget and monthly financial reports which are reviewed and agreed by the board of trustees
- regular reviews by the Trust leadership produce reports which indicate financial performance against forecast and major purchase plans, capital works, and expenditure programmes
- the setting of targets to measure financial and organisation performance
- clearly defined purchasing (asset purchase and capital investment) guidelines
- delegation of authorities and segregation of duties
- identification and management of risks

## Fraud identified and/or reported.

We have not identified any fraudulent transactions in any reviews with the St Mary's CE Primary Academy to date. The Trust itself has not reported any fraudulent transaction to date.

## Cost of work (scrutineer/auditor days used)

Based on consolidated finances, we have agreed that each Academy visit will be undertaken in half a day (being £1,350 covering one constituent academy and the central trust excluding VAT and expenses). The central function will be subject to two days of audit input charged at £450 per day. These fees include the cost of on-site fieldwork plus review and reporting.

## Forward look for next year.

Emerging issues identified by ourselves and suggested for review by the St Mary's CE Primary Academy for 2024/25 are:

- Assessing Trust Reinforced Autoclaved Aerated Concrete (RAAC) risks and the sector-wide impact
- Financial resourcing risks derived from the merging of grants into the NFF, increases in labour costs, and public sector funding cuts.
- Technological development including big data and artificial intelligence (AI)
- Demographic change
- Maintaining Cybersecurity
- Digitalisation of Governance
- A Trust response to Sustainability/Climate change
- Risks presented by joining another multi-academy trust.
- Risks to St Mary's presented by supporting other schools.
- Senior leader turnover/succession planning
- Revised expectations by the DfE relating to academy Trusts growth.
- Economic Trade conflicts and Sanctions

As previously stated, the Trust has a three-year programme of internal scrutiny reviews in place. The 2024-25 internal scrutiny programme is now in place; it will continue to be adopted to focus on the areas of assurance required by Trustees and include new compliance requirements as directed by the Academies Trust Handbook updates and other bodies.