

## **Internal Scrutiny Annual Report 2019-20**

### **Executive Summary**

During this reporting period, St Cuthbert's RC Academy Trust (SCRCAT) moved away from local finance provision to delivering a fully centralised service. The main components of the internal scrutiny strategy were agreed by Directors as follows:

1. Audit Committee to meet twice termly (6 times a year as part of Finance, Asset and Audit Committee) in line with AFH requirements.
2. Accounting Officer reports twice termly to FAA Committee on Regularity, Propriety and Value for Money.
3. Appointment of Finance Manager with responsibility for internal scrutiny. This individual was recruited through an internal ring-fenced advert (due to business restructure). No applicants had requisite professional qualification, but the successful candidate had strong track record and sustained experience in audit field.
4. Continuation of peer-to-peer support for internal scrutiny as detailed in 3.17 Academies Financial Handbook (AFH).

The internal scrutiny plan was significantly disrupted as a result of the COVID-19 pandemic. The peer-to-peer support was unable to take place as a result of the CFO from another Trust having to shield. However, the Finance, Asset and Audit Committee maintained its meeting schedule alongside all other internal scrutiny inputs. This approach will be reviewed for the next reporting period due to the ongoing impact of COVID on external visits to site and an alternative remote approach will be adopted in Spring 2021 if required, with reporting due to Directors in Summer 2021.

### **Introduction**

Sept 19 – Aug 20 SCRCAT was managing individual school GAG funds and budgets and was planning to pool all GAG funds and fully centralise the service for commencement Sept 20. The 7 primary schools had a variety of finance staff and all had regular access to a School Business Manager (SBM). The SBM's worked in partnership with the central finance team and met regularly with the Chief Finance Officer and Lead Finance Manager to begin the process of harmonisation and to act on any early opportunities for improved central procurement or procedures.

### **Approach to Work and Standards**

The Internal scrutiny focussed on 3 main areas:

1. **Evaluation**

Providing assurance on the suitability of, and level of compliance with, financial and non-financial controls. Following the financial restructure at the beginning of 2020, this included a major review of all Trust financial procedures and the production of a new central manual of Trust financial procedures. This has been designed to be as effective and efficient as possible. The Finance Manager with responsibility for internal scrutiny (Angela Hunter), drew up a subsequent programme of monitoring and reporting on the main procedures and that programme has commenced and will start reporting in an improved and updated format to Directors in Spring Term 2021 (see classification of opinions below).

2. **Provision of Board Advice**

Regular insight to the Board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement. The CFO has been working with the Lead Finance Manager and the Chair to agree reporting structures to ensure that the Board is accessing the correct level of information to ensure financial compliance. There is also a direct reporting line in place between the Finance Manager, Internal Scrutiny, to the Board, which can bypass any senior officers if required.

3. **Risk Management**

The CFO regularly updates the Risk Register and shares it with the Board to ensure that any risks are being adequately identified, reported and managed.

The trust identifies on a risk-basis (with reference to its risk register) the areas it will review each year. This year's major challenge has been to manage the impact of COVID on all key aspects of financial management. Regular reporting to the Board has provided assurance on levels of planned and unplanned expenditure and compliance with funding streams such as the exceptional COVID costs and COVID Catch-up Fund.

### **Classification of Opinions**

Externally evaluated opinions are shared with Directors in entirety e.g., RSM's Management Letter following annual audit. This is then revisited at each meeting in line with any improvement timetable that has been put in place.

Externally received advice from ESFA or other government agency is also shared with Directors e.g., advice on executive salary setting and any required actions are agreed and reported back on at subsequent meetings.

Reports on internally evaluated opinions have evolved throughout this financial year, and in order to provide a rolling, consistent approach to the internal scrutiny programme a traffic light system has been put in place and any items with amber or red reporting will be detailed to the Board for further scrutiny. This provides a current, rolling ACTION LOG of issues that can be reviewed during Audit Committee.

As matters are resolved then they will come off the reporting schedule and be replaced by any new issues identified through the internal scrutiny programme.

The Board is also free to ask for more information on any aspect of financial management at any time and Audit Minutes reflect a health, strong challenge to all aspects of financial management.

### **Summary of Work Undertaken**

#### **Key:**

**Red** = High Risk – financial impact likely to be significant and detailed management response required; possible reputational damage

**Amber** = Some Risk – financial impact likely to be moderate with some management response required

**Green** = Low Risk – no negative financial impact, and no management response required

#### **Autumn Term**

1. Delegated Levels of Authority
  - **Green**
  - Strong and effective controls in place. DLA's amended to provide even more efficient local control.
  
2. ESFA Financial Benchmarking
  - **Amber**
  - Support staff expenditure – proposal presented re: TA restructure to be implemented post COVID
  - Catering Costs – Trust Catering Manager to evaluate bringing all catering in house post COVID
  
3. Diocesan Levy
  - **Amber**
  - Directors require more transparency on how the levy is applied. See FAA Minutes for responses.
  
4. Asset Management Plan
  - **Green**
  - Refresh underway due to being 3 years into 5-year cycle.
  
5. Register of Business Interests – Directors
  - **Green**
  - Clerk manages Trust Register – accurate and up to date.

6. RSM Audit Report

- Green/Amber
- Amendment to Procurement Policy Implemented
- Periodic reconciliation of fixed assets introduced and annual physical check.

7. Bank Reconciliations

- Green
- Opportunity to harmonise sign off process across all schools implemented and make cashflow available to key finance staff.

8. Charge card

- Green/Amber
- Reconciliation to TB's monthly – implemented

9. Bank Mandates

- Amber
- All mandates were reviewed, and some signatories updated. New procedure in place to ensure local action when signatories change. Regular checking now responsibility of Finance Manager, Internal Scrutiny.

10. On-Line Banking

- Deferred to Autumn 2020

**Spring Term**

11. All Financial Procedures

- Amber
- All procedures were reviewed in light of centralisation and a new financial procedures document was introduced and cascaded/trained into all schools.

12. Expenses

- Amber
- Improved communication on Expenses Policy and requirements to claim mileage – implemented.

13. All Sites Health & Safety Annual Audits

- Green
- Conducted by external specialist Health & Safety Partner, Stallard Kane.

14. Payroll

- Primary = Green Secondary = Amber
- Checking process now harmonised across phases.

15. View My Financial Insights & ICFP

- Mainly Green

- This data regularly informs weekly Senior Leadership Finance Team Agendas. Finance Team is current evaluating 2 aspects the Trust's educational offer in response to data from VMFI and School Resource Management Tool. They are nursery phase provision and peripatetic music service provision.

## **Summer Term**

### 16. ESFA Query re setting Executive Salaries

- **Amber**
- Detailed report given to Directors and full response made to ESFA. Strategy in place to address this aspect over short to medium term.

### 17. Health and Safety COVID Risk Assessments

- **Green**
- Risk Assessments in place across the Trust in line with national guidance. Specialist input from Stallard Kane (H & S specialists), ISBL, ASCL, Stone King and other professional bodies. Regularly updated.

### 18. Schedule of Internal Scrutiny 2020 – 21

- **Green**
- Approved by Directors.

## **Follow Up Reviews**

- Financial Procedures
- Internal Scrutiny Programme and Reporting Format
- COVID-19 Risk Assessments.

## **Overall Opinion on Governance and Control Environment**

**Satisfactory.** Control is strong in most areas and clear plans exist to make further improvements in line with ESFA requirements.

Centralisation of financial processes has enabled significant improvements to be made to financial procedures and the internal scrutiny programme which is aligned to ESFA requirements. Further improvements required are for the Trust to identify an alternative remote approach with peer-to-peer support which has not been able to deliver for the Trust during lockdown.

## **Fraud Management**

The Trust has an active fraud education programme in place and regular reporting to Directors. There has been no fraud identified or reported during this period.

## **Cost of Work**

20% salary cost of Finance Manager.

### **Emerging Issues**

- COVID impact organisation
- COVID impact on budget
- Reporting of COVID funding
- Impact of pay / pensions costs that are not fully funded
- Local demographics identifying decline in primary admissions
- Age and condition of the estate.

Report Produced by Sophie Teasdale, Chief Financial Officer and Angela Hunter, Finance Manager (with responsibility for internal scrutiny)

January 2021.