



Education
Funding
Agency

Review of Financial Management and Governance at Al-Madinah Education Trust

October 2013

External Assurance Division
Education Funding Agency
Department for Education

Executive summary and conclusions

1. This report sets out the conclusions of the work completed by the Education Funding Agency (EFA) External Assurance Division. A team from the External Assurance Division visited Al-Madinah School on 26 September, and 1-2 October.
2. Al-Madinah Education Trust is not compliant with a significant proportion of the mandatory requirements of the Academies Financial Handbook, and there are many areas of weakness within its systems and controls.
3. The Trust has failed to maintain proper accounting records, in breach of the requirements of the Trust's Funding Agreement with the Secretary of State.
4. The Trust has not prepared management accounts since March 2013, and has not approved a budget for 2013/14.
5. The responsibilities of trustees and the Accounting Officer are summarised in the Academies Financial Handbook and Funding Agreement with the Secretary of State. Trustees are responsible for the proper stewardship of the Trust's funds, and the issues recorded above indicate that this responsibility has not been met. Therefore urgent action is required in order to enable these responsibilities to be met.

Background to the review

6. The Department for Education's Internal Audit Investigations Team (IAIT) recently completed a review into specific areas of alleged financial irregularity.
7. This is a wider review into the financial management and governance at Al-Madinah Education Trust, the scope of which is set out below. This report should be read in conjunction with the IAIT report, although it should be acknowledged that the scope of each review was different.
8. The former Principal, vice-Principal, and Business Manager resigned in 2013. An Interim Principal and Accounting Officer was appointed in September 2013. A Business Manager was appointed in June 2013.

Scope of the review

9. As set out in a letter to Shazia Parveen, Chair of the Al-Madinah Education Trust and Chair of the governing body, dated 24 September 2013, the scope of the review was to:
 - Examine the financial regulations in place at the school, and review for reasonableness and compliance with the Academies Financial Handbook. Review the evidence that these financial regulations have been followed.
 - Examine the school's policies around finances and governance, and review for reasonableness and compliance with the Academies Financial Handbook. Review the evidence that these policies have been followed.
 - Examine the extent to which the governing body have identified any skills gaps. Review the evidence that these skills gaps have been addressed.
 - Investigate further any areas which arise from issues identified during the visit.
10. The scope of the review did not include any further work in respect of the specific allegations under investigation by IAIT.
11. The covering letter setting out the terms of reference noted that this review was likely to be the first of a series of reviews, dependent on the outcomes of this review and other material such as the external auditor's management letter.
12. The External Assurance Division gave oral feedback to a meeting of governors and managers of the school on 2 October. This report builds upon that feedback. Our recommendations are set out in paragraph 33 and in Annex 1.

Findings – financial regulations

13. The Trust has internal financial regulations in place, in the form of a financial handbook.
14. The Trust's internal financial handbook is generally compliant with the Academies Financial Handbook. However, the Trust is not compliant with its own internal financial regulations in many areas. A list of areas of compliance and non-compliance is outlined in Annex 1 to this report. As a result, the financial operations of the Trust are not compliant with

the Academies Financial Handbook in many areas.

15. The Trust has failed to keep proper accounting records and does not have a complete record of expenditure for the 2012/13 year. A retrospective exercise is now underway to post all past transactions to the accounting system. This involves starting from bank statements and recreating the accounting records by considering each transaction in turn. The Trust must complete this exercise by 31 October in order to assess its current financial position and produce end of year accounts. The Trust's failure to maintain proper accounting records is a breach of its own internal handbook, paragraph 1.4.4 of the Academies Financial Handbook, and paragraph 61b of the Trust's Funding Agreement. The absence of accounting records is a contributory factor to the school not having produced management accounts since March 2013.
16. The outturn financial position for the year ended 31 August 2013 is not yet known.
17. There is a draft 2013/14 budget, described by the Interim Principal as a "guesstimate", which we have not seen. We were informed that a draft budget has been referred to governors, but the Interim Principal has stated that the budget will need to be considered following a review of staffing requirements. It is a requirement of the Funding Agreement, signed by the Trust in August 2012, that a formal budget plan must be approved each financial year by the governing body of the Trust.
18. A budget forecast return submitted to the EFA is similarly regarded as a "guesstimate". This has been reviewed by EFA colleagues separately from the scope of this review. A number of queries were identified, for example staff cost ratios of 40% and 60% in 2012/13 and 2013/14 respectively, which are significantly outside the normally expected range. However this is a return which has not been validated by the EFA Finance Division, and rather than raising queries in this review, we will review a re-submitted return when the Trust has completed the exercise to get its accounting records up to date. The Trust must re-submit a budget forecast return after formal approval of the 2013/14 budget by governors by 31 October 2013. The accuracy of any budget information received will remain in doubt until the accounting records are fully up to date.
19. The last successfully completed bank reconciliation that the current Business Manager can find is from November 2012. A full current bank reconciliation is being prepared as part of efforts to update the accounting records. The Trust must complete this by 31 October 2013.
20. Al-Madinah Education Trust requested a review of internal controls, processes and procedures from their external auditors, [REDACTED], in July 2013. [REDACTED] reported that improvements were required in all areas tested, and concluded that "the financial processes, controls and procedures examined require

significant improvement ...". In total 39 recommendations were raised, including many that are fundamental to internal control. It was noted during our visit that the new Business Manager had begun to make improvements and whilst this work is continuing, despite having had the report from [REDACTED] since 13 August 2013, the Trust has failed to establish a formal action plan to address the recommendations raised.

Findings – governance

21. Several issues were flagged within the IAIT report which raise serious concerns about the Trust's compliance, in practice, with the mandatory requirements of the 'Proper and regular use of public funds' section of the Academies Financial Handbook.
22. The Trust must ensure that: spending has been for the purpose intended; no governor, employee or related party gains from their position by receiving payment under terms that are preferential to those that would be offered to an individual with no connection to the trust; and there is probity in the use of public funds. Issues such as the letting of a contract with [REDACTED] and the appointment of former governors as employees raise concerns about compliance with these requirements, however follow up of these issues is outside the scope of our review. Accordingly we do not conclude on compliance with these particular requirements.
23. The Trust's last organisation chart shows that the former Business Manager reported straight to the Chair of Finance Committee, bypassing the former Principal (as Accounting Officer). The Trust has recently altered its reporting structure so that the Business Manager now reports directly to the Interim Principal rather than directly to governors.
24. The Interim Principal appointed in September 2013 has a clear understanding of the demarcation between governor and management roles.
25. The Trust's governance handbook (which includes governor details, status of different governors, committee terms of reference etc.) is currently in draft form. The version we reviewed was in the early stages of development and had many handwritten comments on that need to be incorporated into an updated version. This should be completed and approved by the governing body by 31 October 2013.
26. The Trust has recently appointed a member of the school's administrative team as clerk to the governing body. The Trust informs

us it has enrolled the clerk on an accreditation programme and shadow working arrangements have been agreed with a clerk from a local partnership . It is too early to assess whether the revised arrangements are adequate. However the Trust should consider whether the new clerk needs any additional support as she familiarises herself with the role, or in helping to address current issues at the Trust.

27. The Trust's governing body has begun the process of self-assessment of skills. There is no formal timetable for completion of the skills audit, although we would expect this to be completed by 31 October 2013.
28. The skills matrix produced by the governing body identifies five areas where no governor has self-assessed as expert:
 - Financial management / accountancy
 - Procurement / Purchasing
 - Legal
 - Special educational needs
 - Children's & Young Peoples services.
29. We have not discussed this matter with the Trust, but note that of the 5 assessments seen, all governors had self-assessed themselves as 'basic' or 'moderate' for financial management / accountancy experience. The other areas noted above are outside the scope of our review.
30. The Trust will need to review the results of the skills audit once complete and plan appropriate action so that any areas of weakness are addressed. The Trust must complete its governor skills audit and develop an action plan to address any skills weaknesses by 22 October 2013.
31. The Trust has not published its annual accounts, Funding Agreement or list of governors on its website as required by paragraph 61g of the Trust's funding agreement with the Secretary of State.
32. The Trust does not have a dedicated audit committee, or committee which fulfils the functions of an audit committee.

Recommendations

33. Recommendations arising from our review are listed below. Annex 1 maps these recommendations against the relevant requirements from the Academies Financial Handbook, where appropriate.
- The Trust's internal Financial Handbook must clarify that the Principal is automatically the Accounting Officer and set out the roles and responsibilities of the Accounting Officer.
 - The Trust must complete the process of entering all past financial transactions into SAGE by 31 October 2013, in preparation for the production of the 2012/13 statement of accounts.
 - The Trust must prepare a full bank reconciliation to 30 September 2013, by 31 October 2013, and prepare monthly bank reconciliations on a timely basis thereafter.
 - Whilst the Trust is responsible for determining the adequacy of financial management resources, in the light of the substantial weaknesses in financial management and control, and the timescales in which improvements are required, the Trust must strengthen the finance team.
 - The Trust must complete and approve its 2013/14 budget by 31 October 2013.
 - The Trust must re-submit its Budget Forecast Return to the EFA following governing body approval of the 2013/14 budget, by 31 October 2013.
 - The Trust must update its internal Financial Handbook to refer to occasions when EFA notification or approval is required (for example the Trust must inform the EFA of significant changes to the budget, and seek Secretary of State for any borrowing), by 31 October 2013.
 - The Trust must prepare a formal action plan addressing each of the recommendations raised in the [REDACTED] report by 31 October 2013.
 - The Trust must ensure that monthly management accounts, in the appropriate level of detail, are presented to the finance, resources and buildings committee, and to the governing body by 31 October 2013. The first set presented to governors should cover the year to 31 August 2013.
 - A business continuity plan must be prepared and approved by governors by 31 October 2013.

- The audit committee (or committee fulfilling the function of an audit committee) must agree a programme of work for independent checking of financial controls, systems, transactions and risks by 31 October 2013.
 - The Trust must ensure that all relevant declaration of interest forms are returned from governors by 31 October 2013.
 - The Trust must provide a copy of the engagement letter with its external auditors to the EFA by 31 October 2013.
 - The school must publish its 2011/12 accounts, Funding Agreement, and list all governors, on its website by 18 October 2013.
 - The Trust must review the terms of reference for governing body committees, and update its governance handbook, by 31 October 2013. The governance handbook must adequately set out the role and responsibilities of governors.
 - The Trust must ensure that there is a committee with terms of reference which include full audit committee functions.
 - The Trust must complete its governor skills audit and develop an action plan to address any skills weaknesses by 22 October 2013.
34. An action plan to show how the Trust intends to address the above recommendations must be submitted to the EFA by 22 October 2013. Material to evidence action in respect of the above recommendations must then be submitted to the EFA by 31 October 2013.

Annex 1 – Areas of compliance and non-compliance with the requirements of the Academies Financial Handbook

The first two columns record requirements from the Academies Financial Handbook.

The third column notes whether or not the Trust's internal guidance adequately covers each requirement: i.e. is the Trust compliant (in theory) with each requirement.

The fourth column considers whether or not arrangements, in actual practice, reflect the Trust's internal guidance: i.e. is the Trust compliant (in practice) with each requirement.

Recommendations are noted in the fifth column.

Compliant areas are marked Y, non-compliant areas are marked N.

AFH Para	Requirement	Paragraph in the Al-Madinah Financial Handbook		Operational Status		Recommendation
2.1.1	Must appoint a Principal or chief executive who will act as an ex-officio Trustee.	1.3	Y	The Trust has appointed an Interim Principal who acts as an ex-officio governor.	Y	
1.5.10 - 1.5.17 2.1.2 3.2.2	Must designate a named individual as the Trust's accounting officer (usually the Principal or chief executive).	No explicit mention.	-	The Interim Principal is clearly understood to be the Accounting Officer.	Y	The Trust's internal Financial Handbook must clarify that the Principal is automatically the Accounting Officer and set out the roles and responsibilities of the Accounting Officer.

2.1.2	<p>Must ensure there is appropriate oversight of financial transactions and in doing so must:</p> <p>ensure that bank accounts, financial systems and financial records are operated by more than one person</p> <p>ensure that all the Trust's property is under the control of the Trustees, and that measures are in place to prevent losses or misuse</p> <p>keep full and accurate accounting records;</p> <p>prepare accruals accounts, giving a true and fair view of the Trust's incoming resources and application of resources during the year, and the state of affairs at the year-end, in accordance with existing accounting standards.</p>	1.4	Y	<p>Bank accounts are operated by more than one person.</p> <p>Full and accurate accounting records have not been kept. The SAGE accounting software has not been used for the majority of 2012/13. The Trust is currently in the process of entering financial transactions from 2012/13 into the SAGE software, using bank statements, invoices and other records.</p> <p>The Trust prepared audited accounts for the pre-opening period to 31 August 2012.</p> <p>Accounts for the year end 31 August 2013 must be submitted to the EFA by 31 December 2013.</p>	N	<p>The Trust must complete the process of entering all past financial transactions into SAGE by 31 October 2013, in preparation for the production of the 2012/13 statement of accounts.</p> <p>The Trust must prepare a full bank reconciliation to 30 September 2013, by 31 October 2013, and prepare monthly bank reconciliations on a timely basis thereafter.</p>
2.1.3	Must ensure that the board of Trustees (governors) and appropriate committees meet at	1.5	Y	Review of minutes indicates that all governing body and committee meetings have	Y	

	least once a term and conduct business only when the meeting is quorate.			been quorate.		
2.1.6	Must have finance staff that are appropriately qualified and/or experienced.	1.9 – 1.11	Y	The current Business Manager was appointed in June, has limited educational finance experience and is not qualified. The [REDACTED] report commented positively on the improvements she is making.	-	Whilst the Trust is responsible for determining the adequacy of financial management resources, in the light of the substantial weaknesses in financial management and control, and the timescales in which improvements are required, the Trust must strengthen the finance team.
2.1.7	Must have a principal finance officer, who is the finance director, business manager or equivalent, to lead the finance department.	1.9	Y	The Business Manager is the Principal Finance Officer.	Y	
1.4.6 1.5.6	Must ensure regularity, propriety and value for money in relation to the management of public funds.	10.1 – 10.3	Y	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	
1.5.7	Must use its discretion reasonably, and take into account all relevant guidance on accountability and propriety.	10.1 – 10.3	Y	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	

2.2	Must prepare financial plans so as to secure the Trust's short-term and long-term financial health.	4.1 - 4.4	Y	The 2013/14 budget has not been completed or approved. The budget is pending staffing review by the Interim Principal, and the confirmation of the financial position of the Trust.	N	The Trust must complete and approve its 2013/14 budget by 31 October 2013.
2.1.10	Must have the full board of Trustees approve a balanced budget for the financial year (usually to 31 August) and must minute the approval.	4.11	Y	The 2013/14 budget has not been completed or approved. The budget is pending staffing review by the Interim Principal, and the confirmation of the financial position of the Trust.	N	Complete and approve budget by 31 October 2013, as above.
2.2.2	Must submit the budget to the EFA.	4.12	Y	Technically compliant, as the budget forecast return was submitted to the EFA by the deadline. However, the return is based on rough estimates, so the accuracy of the data is questionable.	-	The Trust must re-submit its Budget Forecast Return to the EFA following governing body approval of the 2013/14 budget, by 31 October 2013.
2.2.3	Must agree procedures for notifying significant changes to budgets to the	4.17 4.19	N	The lack of financial recording is preventing	N	The Trust must update its internal Financial Handbook to

	Trustees, and must notify such changes to the EFA.	There is no mention of informing the EFA of significant budget changes.		accurate budget monitoring , so the Trust is unable to identify where significant budget changes are required.		refer to the need to inform the EFA of significant changes to the budget, by 31 October 2013.
2.2.4 2.6.12	Must obtain approval from the Secretary of State before borrowing, including finance leases of any duration.	No explicit mention	-	Not tested.	-	The Trust must update its internal Financial Handbook to refer to the need for Secretary of State approval for borrowing, by 31 October 2013.
2.6.19	Must declare in their budget sent to the EFA any unspent funds expected to be carried forward at the end of the financial year	No explicit mention	-	Technically compliant, as the budget forecast return was submitted to the EFA by the deadline.	Y	Re-submit Budget Forecast Return to EFA, as above, by 31 October 2013.
2.3	Must have in place sound internal control and risk management processes.	Various	Y	The [REDACTED] report issued to the Trust on 13 August 2013 indicates that significant improvements are required. The Trust has failed to develop an action plan to address those weaknesses.	N	The Trust must prepare a formal action plan addressing each of the recommendations raised in the [REDACTED] report by 31 October 2013.

2.3.3	<p>Must have regard, in the Trust's internal control framework, to:</p> <p>co-ordinating the planning and budgeting processes;</p> <p>applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties;</p> <p>preparation of timely monthly management accounts, including income and expenditure reports on an accruals basis, cash flow forecasts and balance sheets as appropriate;</p> <p>ensuring that delegated financial authorities are respected;</p> <p>selection, planning and oversight of any capital projects;</p> <p>the propriety and regularity of financial transactions;</p> <p>the management and oversight of assets;</p>	Various	Y	<p>Current management accounts are not available for governors to review.</p> <p>The latest set of management accounts recorded were those presented to the March 2013 governing body meeting, and were only income and expenditure accounts with no cashflow forecasts and balance sheets.</p> <p>Subsequent finance, resources and buildings committee meetings have taken place, but the Trust does not hold any management accounts presented at these meetings on file.</p> <p>Other issues were identified in the [REDACTED] report.</p>	N	<p>The Trust must ensure that monthly management accounts, in the appropriate level of detail, are presented to the finance, resources and buildings committee, and to the governing body, by 31 October 2013. The first set presented to governors should cover the year to 31 August 2013.</p>
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	the risk of fraud and theft; ensuring efficiency and value for money in the organisation's activities.					
2.3.5	Must make a contingency and business continuity plan setting out what the Trust would do to ensure the continued operation of the Trust.	Para 3.7 refers to disaster recovery plan, although this is only in relation to the back up of financial data.	N	There is no business continuity plan.	N	A business continuity plan must be prepared and approved by governors, by 31 October 2013.
2.3.6	Must assess the risks arising from the Trust's operations.		-	The Trust has a draft risk register in place.	Y	
2.3.6 3.5.1	Must have in place a process for independent checking of financial controls, systems, transactions and risks.	2.4	Y	Comprehensive review of systems performed by [REDACTED], but there is no formal programme of work. The [REDACTED] report appears	N	The audit committee (or committee fulfilling the function of an audit committee) must agree a programme of work for independent checking of financial controls, systems, transactions and risks, by 31

				to be a one-off rather than part of a planned programme of checks.		October 2013.
2.3.7	Must ensure the Trust has adequate insurance cover.		-	The Trust appears to have appropriate insurance in place	Y	
2.3.7 3.9.2	Must notify the Secretary of State, via the EFA, of any instances of fraud or theft where the value exceeds any sum notified by the EFA (currently £5,000 in the Handbook), or which appears to be systematic.		-	Not tested.	-	The Trust must update its internal Financial Handbook to refer to this requirement.
1.4.4 2.3.7	Must maintain proper accounting records and accounts.	3.1	Y	Full and accurate accounting records have not been kept. As above	N	The Trust must complete the process of entering all past financial transactions into SAGE by 31 October 2013, in preparation for the production of the 2012/13 statement of accounts.
2.4	Must ensure Trustees and managers monitor the Trust's current and forecast financial	1.4	Y	Current management accounts are not available for governors to review.	N	Monthly management accounts, in the appropriate level of detail, must be presented to the finance, resources and buildings

	position.			As above.		committee, as above, by 31 October 2013.
2.4.4	Must ensure that any gifts given by the Trust have the reason fully documented and have regard to propriety and regularity in the use of public funds.	No explicit mention	-	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	
2.4.9	Must seek the Secretary of State's approval, via the EFA, for writing off debts and losses, and entering into guarantees, indemnities and letters of comfort beyond limits specified by the Secretary of State.	9.12	Y	Not tested.	-	
2.4.15 2.4.17 2.4.19	Must consider the following issues when making a staff severance payment: whether a payment is justified, based on a legal assessment of the case; if a payment is justified, must consider the level of settlement which must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the	9.12	Y	Not tested.	-	

	<p>circumstances.</p> <p>Must consider, when making a compensation payment, whether the proposed payment is based on a careful appraisal of the facts, including legal advice and that value for money will be achieved.</p> <p>Must seek and obtain HM Treasury's prior approval, via the EFA, for any element of a staff severance payment or compensation payment which is more than £50,000 above contractual entitlement.</p>					
2.4.22 2.4.23	Must obtain the Secretary of State's approval, via the EFA, before entering into the acquisition and disposal of fixed assets beyond limits specified by the Secretary of State.	9.6	Y	Not tested.	-	
2.4.28	Must obtain the Secretary of State's approval, via the EFA, before entering into lease arrangements beyond limits specified by the Secretary of State.	9.12	Y	Not tested.	-	

2.4.36	Must waive the right to delegated authorities and come to the EFA for approval if the Trust is subject to a Financial Notice to Improve (FNtI).	No explicit mention.	-	No FNtI has been issued.	-	
2.4.37	Must comply with all terms of any Financial Notice to Improve issued to the Trust.	No explicit mention.	-	No FNtI has been issued.	-	
2.4.40	Must spend public money prudently in ways that command broad public support.	10.1 - 10.3	Y	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	
2.4.41	Must refer any novel or contentious transaction to the EFA for prior authorisation.	No explicit mention.	-	Not tested.	-	The Trust must update its internal Financial Handbook to refer to this requirement.
2.5	Must be able to show that public funds have been used as intended by Parliament.	10.1	Y	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	
2.5.2	Must ensure there is probity in the use of public funds.	10.1 - 10.3	Y	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	
2.5.2	Must ensure that no Trustee/governor, employee or	10.3	Y	IAIT report indicates potential issues. The	-	

	related party gains from their position by receiving payments under preferential terms.			External Assurance review has not followed this up.		
2.5.2	Must ensure that all Trustees/governors have completed the register of business interests and there are measures in place to manage any conflicts of interest.	2.10 - 2.12	Y	One governor has not completed a declaration of interest form	N	The Trust must ensure that all relevant declaration of interest forms are returned from governors by 31 October 2013.
2.5.2	Must ensure there are no payments to any Trustee/governor unless such payment is permitted by the Articles of Association and comply with the terms of any relevant agreement with the Secretary of State.	10.3	Y	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	
2.5.2	Must ensure a competitive tendering policy is in place and applied.	6.1 - 6.29	Y	IAIT report indicates potential issues. The External Assurance review has not followed this up	-	
2.5.5	Must complete an annual statement explaining how the Trust has secured value for money.	10.3	Y	N/A as this is a new return with deadline 31/12/13	-	
2.5.7	Must ensure that senior officers' payroll arrangements fully meet tax obligations and comply with HM Treasury's guidance regarding	Annex 1	Y	Not tested.	-	

	employment and contract arrangements of individuals on the avoidance of tax.					
2.6.2	Must ensure that any contracts for services provided by sponsors or bodies related to the sponsor are properly procured and present value for money.	N/A no sponsor	-	N/A no sponsor.	-	
2.6.4	Must seek prior written permission from the EFA before entering into financial transactions that are irregular, improper or do not afford value for money.	No explicit mention	-	IAIT report indicates potential issues. The External Assurance review has not followed this up.	-	The Trust must update its internal Financial Handbook to refer to this requirement.
2.6.19	Must adhere to any conditions in their funding agreement in relation to the amount of GAG that can be carried forward from one year to the next, until such time as those conditions are amended to reflect the removal of the limit in the Handbook.	N/A		N/A		
2.6.22	Multi-academy Trusts must have due regard to the funding needs of their individual academies if they pool GAG, and must have an	N/A		N/A		

	appeals mechanism in place.					
2.3.7	Must approve a set of accounting policies.		-	The Trust included its accounting policies in the 2011/12 accounts.	Y	
2.3.8	Must produce audited company accounts in line with the 'Statement of Recommended Practice' (SORP) for charities.		-	The Trust produced compliant 2011/12 accounts.	Y	
2.3.7 3.1.1	Must appoint a statutory auditor, registered under the requirements of the Companies Act 2006 to certify whether the accounts are true and fair.		-	The Trust has appointed [REDACTED].	Y	
3.1.2	Must put the audit contract in writing as a letter of engagement.		-	The Trust state there is an engagement letter with [REDACTED], but is not held on file by the Trust. The Trust has requested a copy of the letter from [REDACTED].	-	The Trust must provide copy of the engagement letter with its external auditors to EFA by 31 October 2013.
3.1.3	Must provide in the audit contract for the removal of the auditors before		-	We have not seen a copy of the engagement letter.	-	

	the expiry of the term.					
3.1.4	Must notify the EFA immediately of the removal or resignation of auditors, and the reasons.		-	N/A	-	The Trust must update its internal Financial Handbook to refer to this requirement.
1.4.5	Must publish the accounts and provide a copy to anyone who requests it.		-	The 2011/12 accounts are not available on the school website.	N	The school must publish its 2011/12 accounts, funding agreement, and list all governors, on its website by 18 October 2013.
1.4.3	Must submit the audited accounts to the EFA by 31 December each year.		-	The Trust did not submit its 2011/12 accounts to the EFA.	N	
3.2.2	Must include a statement on regularity, propriety and compliance, signed by the Trust's accounting officer, in the annual report that accompanies the accounts.		-	Included in the 2011/12 accounts.	Y	
3.2.4	Must include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit.		-	Included in the 2011/12 accounts.	Y	
3.5.2 - 3.5.4	Must establish an audit committee, or a committee which fulfils the functions of an audit committee,		-	There is currently no audit committee, or committee which fulfils the function	N	The Trust must review the terms of reference for the governing body committees, and update

	dependent upon the size of the Trust.			of an audit committee.		its governance handbook, by 31 October 2013. The governance handbook must adequately set out the role and responsibilities of governors. The Trust must ensure that there is a committee with terms of reference which include full audit committee functions.
3.5.5	Must have the relevant committee review the risks to internal financial control at the Trust and agree a programme of work that will address those risks.		-	There is no agreed programme of work to review risks to internal financial control.	N	The audit committee (or committee fulfilling the function of an audit committee) must agree a programme of work for independent checking of financial controls, systems, transactions and risks, as above, by 31 October 2013.
3.6.1	Must give the NAO's officials and contractors reasonable help with their enquiries and provide such information and explanation as is reasonable and necessary.		-	N/A	-	
3.7.1	Must provide the EFA with access to all books, records, information, explanations, assets and premises to assist the EFA from time to time		-	The Trust has provided access for the EFA EA visit.	Y	

	with its audits.					
3.7.2	Must retain all records necessary to verify its position in relation to the Handbook and the funding agreement, six years after the end of the period to which funding relates.		-	The Trust formed in February 2012, and is intending to comply.	Y	
3.8.1	Must provide the EFA or its agents with information of sufficient quality, necessary to meet funding requirements as and when required		-	N/A	-	
3.8.4	Must notify the EFA's chief executive in writing of the vacating or filling of the positions of chair of Trustees, chief executive or principal as accounting officer and principal finance officer.			The Trust has informed the EFA of the appointment of the Interim Principal.	Y	
3.9.1	Must be aware of the risk of fraud and irregularity and, as far as is possible, address this risk in their internal control and assurance arrangements by putting in place proportionate controls.		-	The Trust has a fraud policy in place.	Y	