



Education
Funding
Agency

Commissioned Review of Financial Management and Governance at Discovery New School

October 2013

External Assurance
Education Funding Agency
Department for Education

Executive summary

1. A team from the Education Funding Agency's (EFA) External Assurance Division visited Discovery New School on 16-17 October 2013. This report sets out the conclusions of the work completed.
2. This review identified that Discovery New School could not demonstrate compliance with the following mandatory requirements of the Academies Financial Handbook: 2013 (AFH):
 - The ex-officio trustee and accounting officer (AO) duties are assigned to the Head Teacher who was suspended from duties on 9 October 2013 and an interim AO has not been appointed by the Full Governing Body;
 - An annual financial plan for 2013/14 has not been submitted to the Full Governing Body for approval and the Budget Forecast Return has not been submitted to the EFA;
 - A long term financial plan was in place in 2011, but there is no evidence the long term plan has been updated for future years for submission to the Full Governing Body for review;
 - There is no evidence cash flow forecasting has been undertaken;
 - Committee minutes lack sufficient details of items discussed and clarity of outcomes. In particular, greater clarity is required evidencing governors' scrutiny and challenge of matters discussed;
 - There is no evidence of review and discussion of risk management and an up to date risk register to enable assessment of risks arising from the Trust's operations;
 - The suspended Head Teacher and the School Business Manager (SBM), who was absent from work at the time of review, are the sole signatories on the bank mandate and sole users with access rights to the electronic banking system. No payments can be made by the school until the SBM and/or Head Teacher return to work or until the mandate is changed; and
 - A school Business Continuity Plan is not in place. In particular, it was identified that the school has limited IT, banking and finance operational functionality in the absence of the Head Teacher and the SBM.
3. The SBM was absent during our visit. While we appreciate that staff and governors endeavoured to provide all required information and supporting evidence, it should be noted that key documents were not available for review.

Conclusions

4. The Trust is not compliant with key requirements of the AFH. This review has identified 14 recommendations that are required to ensure the Trust is compliant with the key 'must' actions required in the AFH.
5. The Trust does not monitor cash flow, does not have an approved budget for 2013-14 and has not developed an up to date long term financial plan. There is a significant risk that the school may not be able to meet its financial obligations and may not represent a going concern.
6. The Head Teacher and SBM have a high degree of strategic and operational responsibility and control at the School. There is a lack of adequate contingency planning to ensure continued school operation in the absence of the Head Teacher and SBM.

Background to the review

7. Discovery New School opened in September 2011. The Head Teacher and SBM were the founding Directors. The Head Teacher is ex-officio trustee and accounting officer and the SBM acts as Clerk to the Full Governing Body.
8. Discovery New School was judged to require special measures by Ofsted at the beginning of May 2013. Ofsted visited the school on 11 September 2013 and judged the Academy Trust's Statement of Action as not fit for purpose. An Education Adviser (EA) visited on 24 September 2013.
9. On 9 October 2013 the Head Teacher was suspended by the Full Governing Body. An interim Head Teacher was appointed starting on 11 October 2013.
10. In addition, the school failed to submit a budget forecast to the EFA by the deadline of 31 July 2013. This, together with the Ofsted monitoring inspection in September, resulted in the EFA's Deputy Director, Academies – London, South & East of England commissioning a review into the financial management and governance arrangements at the school. This review took place on 16-17 October. The scope of the review is set out in paragraphs 11 to 13 and the review findings, recommendations and Discovery's responses are detailed from pages 5 to 9.

Scope of the review

11. The following areas for consideration were assessed during this review:
 - Examine the financial regulations in place at the school, and review for reasonableness and compliance with the AFH.
 - Review the evidence supporting the school's compliance with approved financial regulations.

- Examine the school's finance and governance policies and review them for reasonableness and compliance with the AFH.
 - Review evidence of the school's compliance with approved finance and governance policies.
12. The scope of this review did not include review or assessment of educational performance.
13. A detailed assessment of the school's internal controls was not conducted as part of this review. This report has regard to the responsible office checks and external auditor's checks carried out to assess internal control design and effectiveness of implementation.

Key findings and recommendations

14. The review identified the following exceptions and has made recommendations to address issues identified.
15. Full findings and recommendations arising from our review are listed in Annex A. The annex also maps these recommendations against the relevant requirements from the Academies Financial Handbook (AFH).

AFH Ref.	Requirement	Review Findings	Recommendation	Management Response
2.1.1	Must appoint a principal or chief executive who will act as an ex-officio Trustee.	The appointed Head Teacher was suspended by the Full Governing Body on 9 October 2013. An interim Head Teacher was appointed on 11 October 2013, but was not made a trustee.	The Trust must appoint an interim ex-officio Trustee.	██████████, <i>our interim head teacher, has been appointed ex-officio Trustee</i>
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).	The Head Teacher was appointed Accounting Officer (AO) by the Full Governing Body on 24 June 2011. The appointed Head Teacher was suspended by the Full Governing Body on 9 October 2013. An interim Head Teacher was appointed on 11 October 2013 but was not appointed as accounting officer.	The Trust must appoint an Accounting Officer.	██████████, <i>our interim head teacher, has been appointed Accounting Officer</i>
2.1.2	Must ensure there is appropriate oversight of financial transactions and in doing so must: <ul style="list-style-type: none"> ▪ ensure that bank accounts, financial systems and financial records are operated by more than one person; ▪ ensure that all the Trust's property is under the control of the Trustees, and that measures are in place to 	From discussion with the Chair of Governors the following exceptions were established: <ul style="list-style-type: none"> ▪ The Head Teacher and SBM are the sole bank signatories. ▪ The Head Teacher and SBM are the sole authorised users of the school's electronic banking system. ▪ The SBM is the school's IT system administrator. 	The Trust must set up new electronic payment users and a new bank mandate to ensure that at least three appropriate people can access bank accounts and process payments.	<i>A new bank mandate has been completed which requires 'two to sign' from a list including the interim head teacher and 3 Governors</i> <i>We have initiated processes to update records at Companies House</i>

	<p>prevent losses or misuse keep full and accurate accounting records;</p> <ul style="list-style-type: none"> ▪ 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>It was noted that:</p> <ul style="list-style-type: none"> ▪ The School bank mandate was not available for review at the time of the visit. ▪ The Head Teacher and SBM are a married couple. ▪ At the time of the visit the Head Teacher was suspended and the SBM absent. <p>The lack of appropriate separation of related parties in the appointment of authorised bank signatories/users increases the risk that appropriate controls will not operate and oversight will not be exercised.</p>		
2.2	<p>Must prepare financial plans so as to secure the Trust's short-term and long-term financial health.</p>	<p>From review of Full Governing Body and Finance and Resources Committee minutes the following exceptions were identified:</p> <ul style="list-style-type: none"> ▪ A 2013-14 budget has not been presented to governors for approval. ▪ A six year financial plan was approved by governors in June 2011, but the plan was not updated for 2012-13. <p>Where annual budgets and long-term financial plans are not approved by Trustees there is increased risk to the Trust's short-term and long-term financial viability, as well as a lack of proper oversight.</p>	<p>The Trust must review and approve a 2013-14 budget and long-term financial plan to ensure the Trust's short-term and long-term financial health are secure.</p>	<p><i>A 2013-14 budget and 12 month cashflow forecast have been prepared and discussed at the school's Finance & Resources Committee on 13th November 2013</i></p> <p><i>These are currently being updated (small adjustments), together with six year projections, ahead of presentation to the Full Governing Body on 27th November 2013</i></p> <p><i>It is anticipated that the budgets will be agreed at that meeting and submitted to the EFA shortly afterwards. A draft version of the figures is included with this response</i></p>

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.	<p>At the time of review the 2013-14 budget had not been approved by the Full Governing Body.</p> <p>An email received from the SBM stated that the annual budget had been delayed due to adjustments resulting from the Ofsted inspection and that a budget had been prepared and ready to present to the Full Governing Body meeting on 9 October 2013. Following the suspension of the Head Teacher at this meeting, the budget was not discussed. The draft budget was not available for EFA review during the visit.</p>	Refer to 2.2	<i>See 2.2</i>
2.2.2	Must submit the budget to the EFA.	The school's budget forecast was not submitted by the 31 July 2013 deadline and it is still outstanding.	The Trust must ensure an approved 2013-14 budget is submitted to the EFA.	<i>See 2.2</i>
2.3	Must have in place sound internal control and risk management processes.	<p>From review of the Finance and Resources Committee minutes it was established that:</p> <ul style="list-style-type: none"> ▪ a schedule of responsible officer (RO) checks is in place and no significant control issues were identified in 2012-13. ▪ There is no evidence of a RO visit in 2013-2014. The latest visit was undertaken in March 2013. ▪ From review of the 2011-12 financial statements it was established that the accounts were 'unqualified'. Discussion with the External Audit Manager confirmed that they have not identified any significant control issues. 	The Trust must ensure scheduled responsible officer checks are completed before the end of the 2013-14 autumn term.	<p><i>RO checks are to be completed as scheduled by the end of 2013</i></p> <p><i>A revised RO schedule is to be prepared for calendar year 2014</i></p> <p><i>The external audit was not completed on the date of the inspection and the external audit managers comments related to work done so far</i></p>

2.3.3	<p>Must have regard, in the Trust's internal control framework, to:</p> <ul style="list-style-type: none"> ▪ co-ordinating the planning and budgeting processes; ▪ applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties; ▪ preparation of timely monthly management accounts, including income and expenditure reports on an accruals basis, cash flow forecasts and balance sheets as appropriate; ▪ ensuring that delegated financial authorities are respected; ▪ selection, planning and oversight of any capital projects; ▪ the propriety and regularity of financial transactions; ▪ the management and oversight of assets; ▪ the risk of fraud and theft; ensuring efficiency and value for money in the organisation's activities. 	<p>Review of the RO report and discussion with the external auditor confirmed that no exceptions have been identified in the internal control process.</p> <p>From discussion with the RO it was established that cash flow forecasting is not undertaken by the school.</p> <p>The RO stated that at a Full Governing Body meeting they had requested the SBM carry out cash flow forecasting, but this was rejected by the SBM and not included in the minutes taken by the SBM in their role as Clerk to the governing body.</p> <p>Where cash flow is not forecast for at least the next twelve months there is increased risk that the school may not be able to ensure all payments are resourced and any excess cash is invested.</p>	<p>The Trust must ensure a rolling twelve month cash flow forecast is in place. This should be updated at least weekly and reviewed and scrutinised at each Finance and Resources Committee meeting.</p>	<p><i>See 2.2</i></p> <p><i>The school has agreed terms with Richard Place Dobson (the accountancy firm that audit the school's accounts) to assist with monthly management accounts, budgets and forecasts. Auditors will not be directly involved with this work</i></p> <p><i>Actual figures will be applied to budgets on an ongoing basis. They will be circulated to the Finance & Resources Committee for monthly scrutiny and reviewed at the Committee's meetings</i></p>
2.3.5	<p>Must make a contingency and business continuity plan setting out what the Trust would do to ensure the continued operation of the Trust.</p>	<p>Review of school policies identified that a Business Continuity Plan is not in place.</p>	<p>The Trust must ensure a school Business Continuity Plan is in place.</p>	<p><i>The school's Business Continuity Plan will be rewritten. Target: Spring 2014 term</i></p>
2.3.6	<p>Must assess the risks arising from the Trust's operations.</p>	<p>From review of the Finance and Resources Committee minutes there was evidence of review and consideration of organisational risks in</p>	<p>The Trust must ensure risks arising from the Trust's operations are regularly assessed and</p>	<p><i>Although the school's existing risk log has been found, it requires urgent review</i></p>

		<p>two from four meetings reviewed. Minutes lack sufficient detail to establish the level of governor discussion, scrutiny and challenge relating to risk management.</p> <p>Where risks are not assessed and appropriate action taken there is an increased likelihood that the school will not meet its key objectives.</p>	appropriate actions taken.	<i>The Finance & Resources Committee have agreed that new risks, and all existing major risks, are reviewed at meetings as a regular agenda item</i>
2.4	Must ensure Trustees and managers monitor the Trust's current and forecast financial position.	<p>From review of Finance Committee and Full Governing Body minutes budget monitoring was evident, however minutes lack sufficient detail to establish the level of governor discussion, scrutiny and challenge.</p> <p>It was noted that copies of supporting reports for the agenda items were not consistently retained on file.</p>	<p>The Clerk and Governors must ensure minutes clearly and concisely provide detail on items discussed and outcomes arising.</p> <p>Copies of all committee meeting minutes and reports discussed should be retained on file.</p>	<p><i>Immediate improvements made to internal processes</i></p> <p><i>Immediate improvements made to internal processes</i></p>
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.	From discussion with the School Secretary it was established that a register of gifts is not in place.	The Trust must ensure a gift register is set up and maintained.	<i>Gift register established</i>
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.	<p>From review of Full Governing Body minutes it was established that notification of any business interests is a standing item of the agenda.</p> <p>From review of register of business interests it was established that there was no evidence showing 8/13 governors had completed a register in 2012 and no evidence for 1/11 in 2013.</p>	The Trust must ensure all governors complete annual declarations of business interests.	<i>Immediate improvements made to internal processes</i>

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.	<p>From review of Finance and Resources Committee minutes it was established that there is a lack of clarity in risk management processes.</p> <p>Discussion with the responsible officer and external auditor established that their testing programmes had not identified any significant weaknesses in internal controls.</p>	Refer to 2.3.6.	<p><i>See 2.3.6</i></p> <p><i>See comments in 2.3 regarding comments made by external audit manager. The audit work was incomplete and comments related to work done so far</i></p>
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.	From review of school policies there was no evidence that an Anti-Fraud Policy is in place.	The Trust must ensure the school prepares and implements an Anti-Fraud Policy.	<p><i>Work has already begun to document an Anti-Fraud Policy. Target: Complete by end of 2013</i></p>

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 considers whether or not arrangements reflect the requirements from the Academies Financial Handbook. Recommendations are noted in the fifth column. Compliant areas are marked Y, non-compliant areas are marked N.

AFH Ref.	Requirement	Operational Status	Compliant? (Y/N)	Recommendation
2.1.1	Must appoint a principal or chief executive who will act as an ex-officio Trustee.	The appointed Head Teacher was suspended by the Full Governing Body on 9 October 2013. An interim Head Teacher was appointed on 11 October 2013.	N	The Trust must appoint an interim ex-officio Trustee.
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).	The Head Teacher was appointed Accounting Officer (AO) by the Full Governing Body on 24 June 2011. The appointed Head Teacher was suspended by the Full Governing Body on 9 October 2013. An interim Head Teacher was appointed on 11 October 2013.	N	The Trust must appoint an interim Accounting Officer.
2.1.2	Must ensure there is appropriate oversight of financial transactions and in doing so must: <ul style="list-style-type: none"> ▪ ensure that bank accounts, financial systems and financial records are operated by more than one person; ▪ 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 keep full and accurate accounting records; ▪ prepare accruals accounts, giving a true 	From discussion with the Chair of Governors the following exceptions were established: <ul style="list-style-type: none"> ▪ The Head Teacher and SBM are the only bank signatories. ▪ The Head Teacher and SBM the sole authorised users of the school's electronic banking system. ▪ The SBM acts as the school's IT system administrator. <p>It was noted that:</p>	N	The Trust must set up new electronic payment users and a new bank mandate to ensure that at least three appropriate people can access bank accounts and process payments.

	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.	<ul style="list-style-type: none"> ▪ The School bank mandate was not available for review at the time of the visit. ▪ The Head Teacher and SBM are a married couple. ▪ At the time of the visits the Head Teacher was suspended and the SBM absent. <p>The lack of appropriate separation of related parties in the appointment of authorised bank signatories/users increases the risk that appropriate controls will not operate and oversight will not be exercised.</p>		
2.1.3	Must ensure that the board of Trustees (governors) and appropriate committees meet at least once a term and conduct business only when the meeting is quorate.	Minutes of Full Governing Body for 2011-12 and 2012-13 were reviewed and no exceptions were identified.	Y	
2.1.6	Must have finance staff that are appropriately qualified and/or experienced.	<p>The SBM was absent at the time of the review.</p> <p>From review of the 2011 FMGE submission it was noted that the SBM is not CCAB qualified but has been "trained at KPMG, held main board director position at a UK plc as well as directorships of other organisations. He is also a trustee of another charity in the local community as well as a former president of the local chamber of commerce."</p>	Y	
2.1.7	Must have a principal finance officer, who is the finance director, business manager or equivalent, to lead the finance department.	From review of the Financial Regulations Manual it was established that the SBM is appointed 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.	The review did not identify any issues.	Y	

1.5.7	Must use its discretion reasonably, and take into account all relevant guidance on accountability and propriety.	The review did not identify any issues.	Y	
2.2	Must prepare financial plans so as to secure the Trust's short-term and long-term financial health.	<p>From review of Full Governing Body and Finance and Resources Committee minutes the following exceptions were identified:</p> <ul style="list-style-type: none"> ▪ A 2013-14 budget has not been presented to governors for approval. ▪ A six year financial plan was approved by governors in June 2011, but the plan was not updated for 2013-14. <p>Where annual budgets and long-term financial plans are not approved by Trustees there is increased risk to the Trust's short-term and long-term financial viability, as well as a lack of proper oversight.</p>	N	The Trust must review and approve a 2013-14 budget and long-term financial plan to ensure the Trust's short-term and long-term financial health are secure.
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.	<p>At the time of review the 2013-14 budget had not been approved by the Full Governing Body.</p> <p>An email received from the SBM stated that the annual budget had been delayed due to adjustments resulting from the Ofsted inspection and that a budget had been prepared and ready to present to the Full Governing Body meeting on 9 October 2013. Following the suspension of the Head Teacher at this meeting, the budget was not discussed. The budget was not available for EFA review during the visit.</p>	N	Refer to 2.2
2.2.2	Must submit the budget to the EFA.	From review of EFA records it was established that the school's budget forecast was not submitted by the 31 July 2013 deadline and it is still outstanding.	N	The Trust must ensure an approved 2013-14 budget is submitted to the EFA.

2.2.3	Must agree procedures for notifying significant changes to budgets to the Trustees, and must notify such changes to the EFA.	The school's budget forecast has not been approved governors or submitted to the EFA so it is not possible to identify any significant changes.	Y	
2.2.4 2.6.12	Must obtain approval from the Secretary of State before borrowing, including finance leases of any duration.	The review did not identify any issues.	Y	
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.	The review did not identify any issues.	Y	
2.3	Must have in place sound internal control and risk management processes.	From review of the Finance and Resource Committee minutes it was established that: <ul style="list-style-type: none"> ▪ a schedule of responsible officer (RO) checks is in place and no significant control issues were identified in 2012-13. ▪ There is no evidence of an RO visit in 2012/2013. The latest visit was undertaken in March 2013. ▪ From review of the 2012-13 financial statements it was established that the accounts were 'unqualified'. Discussion with the External Audit Manager confirmed that they have not identified any significant control issues. 	Y	The Trust must ensure scheduled responsible officer checks are completed before the end of the 2013-14 autumn term.
2.3.3	Must have regard, in the Trust's internal control framework, to: <ul style="list-style-type: none"> ▪ co-ordinating the planning and budgeting processes; ▪ applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties; ▪ preparation of timely monthly management accounts, including income and expenditure reports on an accruals basis, cash flow forecasts and balance sheets as appropriate; 	Review of the RO report and discussion with the external auditor confirmed that no exceptions have been identified in the internal control process. From discussion with the RO it was established that cash flow forecasting is not undertaken by the school. The RO stated that at a Full Governing Body meeting they had requested the SBM carry out cash flow forecasting, but this was rejected by the SBM and not included in the	N	The Trust must ensure a rolling twelve month cash flow forecast is in place. This should be updated at least weekly and reviewed and scrutinised at each Finance and Resources Committee meeting.

	<ul style="list-style-type: none"> ▪ ensuring that delegated financial authorities are respected; ▪ selection, planning and oversight of any capital projects; ▪ the propriety and regularity of financial transactions; ▪ the management and oversight of assets; ▪ the risk of fraud and theft; ensuring efficiency and value for money in the organisation's activities. 	<p>minutes taken by the SBM in their role as Clerk to the governing body.</p> <p>Where cash flow is not forecast for at least the next twelve months there is increased risk that the school may not be able to ensure all payments are resourced and any excess cash is invested.</p>		
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.	Review of school policies identified that a Business Continuity Plan is not in place.	N	The Trust must ensure a school Business Continuity Plan is in place.
2.3.6	Must assess the risks arising from the Trust's operations.	<p>From review of the Finance and Resources Committee minutes there was evidence of review consideration of organisational risks in two from four meetings, however minutes lack sufficient detail to establish the level of governor discussion, scrutiny and challenge relating to risk management.</p> <p>Where risks are not assessed and appropriate action taken there is an increased likelihood that the school will not meet its key objectives.</p>	N	The Trust must ensure risks arising from the Trust's operations are regularly assessed and appropriate actions taken.
2.3.6 3.5.1	Must have in place a process for independent checking of financial controls, systems, transactions and risks.	From discussion with the responsible officer and external auditor no exceptions were identified.	Y	

2.3.7	Must ensure the Trust has adequate insurance cover.	Review of the school's insurance documents showed cover lasting three years from 1 September 2013. No exceptions identified.	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.	The review did not identify any issues.	Y	
1.4.4 2.3.7	Must maintain proper accounting records and accounts	The review did not identify any issues.	Y	
2.4	Must ensure Trustees and managers monitor the Trust's current and forecast financial position.	From review of Finance and Resources Committee and Full Governing Body minutes budget monitoring was evident in all minutes, however minutes lack sufficient detail to establish the level of governor discussion, scrutiny and challenge. It was noted that copies of supporting reports were not consistently retained on file.	N	The Clerk and Governors must ensure minutes clearly and concisely provide detail on items discussed and outcomes arising. Copies of all committee meeting minutes and reports discussed should be retained on file.
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.	From discussion with the School Secretary it was established that a register of gifts is not in place.	N	The Trust must ensure a gift register is set up and maintained.
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.	The review did not identify any issues.	Y	
2.4.15 2.4.17 2.4.19	Must consider the following issues when making a staff severance payment: <ul style="list-style-type: none"> ▪ 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 	The review did not identify any issues.	Y	

	<p>body (e.g. an employment tribunal) is likely to award in the circumstances.</p> <ul style="list-style-type: none"> ▪ 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. ▪ 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. 			
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.	The review did not identify any issues.	Y	
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	The review did not identify any issues.	Y	
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).	The review did not identify any issues.	Y	
2.4.37	Must comply with all terms of any Financial Notice to Improve issued to the Trust.	The review did not identify any issues.	Y	
2.4.40	Must spend public money prudently in ways that command broad public support.	The review did not identify any issues.	Y	
2.4.41	Must refer any novel or contentious transaction to the EFA for prior authorisation.	The review did not identify any issues.	Y	
2.5	Must be able to show that public funds have been used as intended by Parliament.	The review did not identify any issues.	Y	
2.5.2	Must ensure there is probity in the use of public funds.	The review did not identify any issues.	Y	
2.5.2	Must ensure that no Trustee/governor, employee or related party gains from their position by receiving payments under preferential terms.	The review did not identify any issues.	Y	

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.	From review of Full Governing Body minutes it was established that notification of any business interests is a standing item of the agenda. From review of register of business interests it was established that there was no evidence showing 8/13 governors had completed a register in 2012 and no evidence for 1/11 in 2013.	Y	The Trust must ensure all governors complete annual declarations of business interests.
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.	The review did not identify any issues.	Y	
2.5.2	Must ensure a competitive tendering policy is in place and applied.	The review did not identify any issues.	Y	
2.5.5	Must complete an annual statement explaining how the Trust has secured value for money	The review did not identify any issues.	Y	
2.5.7	Must ensure that senior officers' payroll arrangements fully meet tax obligations and comply with HM Treasury's guidance regarding employment and contract arrangements of individuals on the avoidance of tax.	The review did not identify any issues.	Y	
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.	The school is not sponsored.	Y	
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.	The review did not identify any issues.	Y	
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.	The review did not identify any issues.	Y	

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 appeals mechanism in place.	The review did not identify any issues.	Y	
2.3.7	Must approve a set of accounting policies.	The review did not identify any issues.	Y	
2.3.8	Must produce audited company accounts in line with the 'Statement of Recommended Practice' (SORP) for charities.	The review did not identify any issues.	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 review did not identify any issues.	Y	
3.1.2	Must put the audit contract in writing as a letter of engagement.	The review did not identify any issues.	Y	
3.1.3	Must provide in the audit contract for the removal of the auditors before the expiry of the term.	The review did not identify any issues.	Y	
3.1.4	Must notify the EFA immediately of the removal or resignation of auditors, and the reasons.	The review did not identify any issues.	Y	
1.4.5	Must publish the accounts and provide a copy to anyone who requests it.	The review did not identify any issues.	Y	
1.4.3	Must submit the audited accounts to the EFA by 31 December each year.	The review did not identify any issues.	Y	
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.	The review did not identify any issues.	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.	The review did not identify any issues.	Y	
3.5.2 - 3.5.4	Must establish an audit committee, or a committee which fulfils the functions of an audit committee, dependent upon the size of the Trust.	From review committee terms of reference it was established that the functions of an audit committee are carried out by the Finance and Resources Committee.	Y	
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.	From review of Finance and Resources Committee minutes it was established that there is a lack of clarity in risk management processes.	N	Refer to 2.3.6.

		Discussion with the responsible officer and external auditor established that their testing programmes had not identified any significant weaknesses in internal controls.		
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.	The review did not identify any issues.	Y	
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 with its audits.	The review did not identify any issues.	Y	
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 review did not identify any issues.	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	The review did not identify any issues.	Y	
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 EFA have been made aware of the suspension of the Head teacher and the PFO's absence from work.	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.	From review of school policies there was no evidence that an Anti-Fraud Policy is in place.	N	The Trust must ensure the school prepares and implements an Anti-Fraud Policy.



Education
Funding
Agency

© Crown copyright 2013

You may re-use this document/publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence v2.0. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/version/2 or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at www.education.gov.uk/contactus.

This document is available for download at www.education.gov.uk.