



## Introduction

The Academies Financial Handbook (AFH) requires trusts to prepare an end of year annual report summarising the nature and outcomes of the internal scrutiny work undertaken for the trust during the year. The report must be submitted to the ESFA by 31 December [*note this has been extended this year*].

Internal scrutiny is a process that provides independent assurance to the board that its financial and other controls, and risk management procedures, are operating effectively. As a minimum, it involves a series of tests to ensure systems are effective and compliant but goes beyond mere transaction checking.

The programme of internal scrutiny should be informed by the trust's risk register, which should be owned by executive management and overseen by the audit committee.

The trust's executive management and audit committee should identify how well risks are managed, whether effective processes are in place and whether agreed procedures are being followed, as well as identifying areas where efficiencies or change should be made.

The risk management process should be iterative and ongoing as the findings of the programme of internal scrutiny in turn inform the risk register. The planning of the programme of internal scrutiny should therefore be a risk-based joint enterprise between executive management, the audit committee and the internal scrutineer.

We have prepared the following summary of the internal scrutiny work commissioned by the trust over the course of the year from our internal assurance provider, James Cowper Kreston. We have included the areas reviewed, the key findings and recommendations arising with our associated management responses.

## Trust overview

The trust's Accounting Officer (Executive Principal), the Head of Finance and the Head of Operations work together with the senior leadership teams of the schools, including the school business managers, to ensure that the trust's risks and internal scrutiny are well managed; by adherence to the finance manual, through the risk management register and through other ad hoc risk management strategies, such as the COVID response in this particular year.

To this end the internal scrutiny coverage for the year focussed on the robustness of the financial control processes to cope with the COVID pandemic and the forced changes in working practice, such as remote working for the finance team and the expense approvers for a large part of the year.

For 2019/20 the risk was heightened in the finance team by the departure at the beginning of February 2020 of the long term finance assistant, who processes the purchase ledger transactions and the replacement of this individual by a temporary member of staff.

A new school joined the trust on 1st February 2020, which led to additional work on the part of several individuals within the central team, notably the Head of Operations, Communications Officer and the Head of Finance in ensuring that existing trust control framework, procedures and processes were followed by the teams at the joining school.

The trust has an established approach to risk management, including the maintenance of a trust-wide risk register that is regularly reviewed by the finance team, board committees and auditors. We have used our view on risks facing the trust and the related assurances available to direct our internal scrutiny work for the year.



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The areas selected for internal scrutiny coverage for the year were:

- Regularity and compliance
- Month end procedures
- Procurement
- Payments
- Capital and contract management
- Payroll

## Work performed by James Cowper Kreston

During the visit in June 2020 representing 1 day visit plus reporting time, James Cowper Kreston performed testing on a number of key financial control processes operating at the trust. As part of their testing, James Cowper Kreston carried out tests in 35 sub sections, within those areas detailed above and identified two areas where action was required.

The recommendations raised by James Cowper Kreston are summarised below, together with the management response or implementation of the recommendations made:

Item Tested	Findings	Action Required	Management response
Have funds been carried forward correctly in the accounting system.	This was not possible to review as the accounting system for the year ended 31 August 2019 had not yet been closed.	Opening balance journals should be posted and the year-end closed to ensure that the opening position is correct.	The year-end close is not processed while there are users in the system, so is usually done during Easter holidays. COVID prevented that with a number of people working through the holidays, so the year end process was run in August 2020 instead.
Review of procedures relating to supplier payment details set up and changes.	Procedures relating to supplier payment details set up is documented within the Financial Procedures Manual. This has been reviewed and is considered appropriate. It is noted that there is no specific policy relating to supplier payment details changes. However from discussion with the Head of Finance, we note that appropriate procedures are in place.	The Trust's policy on changing supplier payment details should be formally documented in the Financial Procedures Manual.	The policy and procedure for change in supplier details (including payment details) is now explicitly included in the trust's finance manual.





Items were also covered, during the June 2020 visit, which had arisen in the previous Internal Assurance report and the management letter from the prior year (2018/19):

Control Weakness	Findings from current visit	Further follow up required	Management response
<b>Prior IA Visit</b>			
It was noted that the fixed asset register did not reconcile to the accounting system.	The fixed asset register for June 2020 was compared to the trial balance and a difference of £11,961 was noted.	The fixed asset register should agree to the accounting system. This will be followed up during the next internal assurance review.	During Feb 2020, the process to move assets from the excel spreadsheet to an asset management system began. COVID lockdown in March and beyond delayed this process which will be completed in 2020/21.
It was noted that the authorisations of bank reconciliations were not performed at the correct level.	Bank reconciliations for January and March 2020 were reviewed and were prepared by Head of Finance and authorised by the Executive Principal in line with the Financial Procedures Manual.	No further action required.	N/A
<b>Management Letter</b>			
It was noted that a number of VAT 126 forms were outstanding at the year end.	This was not reviewed as part of the internal assurance review.	This will be reviewed during the audit	N/A

Internal assurance is only one source of assurance available to the trust and internal scrutiny work does not seek to cover all risks faced by and processes operating within the trust. It is ultimately for the Board, guided by the Business & Management Committee, to ensure that sufficient assurances are received in relation to all key risks. It is management's responsibility to develop and maintain sound systems of internal control to ensure that adequate controls are in place and operating effectively across the trust.

The internal audit team are not authorised to:

- Perform any operational duties on behalf of the trust.
- Initiate or approve any transactions or related accounting on behalf of the trust.
- Instruct or direct the activities of any member of staff of the trust.



# Lumen Learning Trust

Learning together for a brighter future

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## Internal Scrutiny for 2020/21

For 2020/21, the trust has engaged a separate firm, Bishop Fleming, to carry out its internal assurance work. Given the larger size of the trust, following the addition of the new school in 2019/20, the trust feel that it would be prudent to double the number of internal assurance visits to 2 days per annum.

The focus will be determined by the board as the visits approach, depending upon the risk horizon at the time, but it is likely to cover COVID, as the pandemic and lockdowns persist.