



Internal Scrutiny Annual Summary Report

Derby Diocesan Academy Trust and Trust 2



Internal Scrutiny Annual Summary Report

Year End 31 August 2023

3 November 2023

www.strictlyeducation.co.uk

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1.0 Executive Summary

Strictly Education have been appointed as Internal Scrutineers to Derby Diocesan Academy Trust and Derby Diocesan Academy Trust 2 (The Trust) and we present the annual summary report for the academic year 2022/23. According to the Academy Trust Handbook 2022 the Trust **must** submit an annual summary report of findings, recommendations and conclusions to the ESFA along with its annual accounts (s.3.23). This report provides a summary to your Board of Trustees of the internal assurance work we have done this academic year to assist you with compliance with section 3 of the Academy Trust Handbook. The scope agreed with the Trust was to provide a review, to obtain assurance of controls, in each of the following areas:

- Financial Controls
- HR Management

Our report is based on the information and explanations provided to us during our reviews. See 6. Summary of Recommendations for a list of observations identified. Our opinion on the level of assurance for the areas reviewed during this internal scrutiny is Reasonable Assurance (see 4. Assessment Criteria for details on our assurance levels):

Overall Internal Scrutiny Summary & Opinion	Reasonable
Review 1 – Financial Controls (1 High, 8 Medium, 7 Low recommendations) <ul style="list-style-type: none">• Following a review of requested documents, regarding Financial Controls, and discussions with the Trust it was found that the Trust has reasonable financial controls in place.	Reasonable
Review 2 – HR Management (2 High, 9 Medium, 7 Low recommendations) <ul style="list-style-type: none">• Following a review of requested documents, regarding HR Management, and discussions with the Trust it was found that the Trust has reasonable HR Management controls in place.	Reasonable

Amelia Clark
Head of Audit Services

2.0 Introduction

Strictly Education have been appointed as Internal Scrutineers to Derby Diocesan Academy Trust and Derby Diocesan Academy Trust 2 (The Trust) and we present the annual summary report for the academic year 2022/23. The scope agreed with The Trust was to provide a review, to obtain assurance of controls, in each of the following areas:

- Financial Controls
- HR Management

This report has been prepared for the Trustees of The Trust to bring attention to those charged with governance (i.e. the trustees) various matters arising from our internal scrutiny of the Trust's internal controls for the year 1 September 2022 to 31 August 2023.

This report is your Annual Summary Report and summarises the areas that we reviewed, our observations and recommendations to enhance the financial and non-financial controls and risk management and our conclusions to help your Trustees consider the actions needed and assess any progress.

3.0 Approach to internal scrutiny

The purpose of internal scrutiny is to provide independent assurance to the Board that its financial and non-financial controls, and risk management procedures, are operating effectively. As a minimum, it involves a series of tests to ensure systems are effective and compliant.

We take seriously our responsibility to The Trust with the report being prepared based on the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management and Trustees, with internal scrutiny providing a service to leadership and governance to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the systems of internal control implemented by leadership, and perform sample testing on those controls in the period under review, with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not, and should not, be taken as a substitute for leadership's responsibilities for the application of sound management practices.

The Academy Trust Handbook (ATH) requires all Academy Trusts to have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively. The ATH provides 4 options for trusts to conduct internal scrutiny, with the work focusing on:

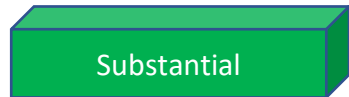
- evaluating the suitability of, and level of compliance with, financial and non-financial controls. This includes assessing whether procedures are designed effectively and efficiently, and checking whether agreed procedures have been followed.
- offering advice and insight to the board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement, but without diluting the management's responsibility for the day to day running of the trust.
- Ensuring all categories of risk are being adequately identified, reported and managed.

The ATH, therefore, requires that trusts have effective oversight and monitoring of their internal control environment. The internal scrutiny function provides this.

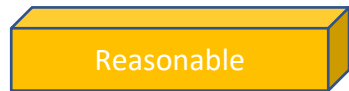
The matters raised in this report are only those which came to our attention during our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

4.0 Assessment Criteria

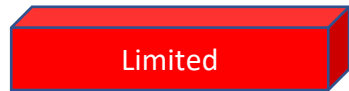
To assist the Trustees in using this report, we have assessed the overall level of assurance around the Trust's internal control environment according to the following grading system:



Risks are being mitigated to an acceptable level with an adequate and effective control environment in operation. Where an improvement in processes is identified, it is not indicative of a weakness in process or control but will result in improved efficiencies.



Risks are being mitigated to an acceptable level, except for the weaknesses identified, and improvements are required to provide an adequate and effective control environment. Weaknesses in controls or processes identified are not considered to be significant but the recommended actions will result in improved processes and controls.



Risks are not being mitigated to an acceptable level and there is an inadequate and ineffective control environment in operation. Significant weakness in internal processes or control are identified as a result.

5.0 Scope of Internal Scrutiny Reviews

Our internal scrutiny work was carried out through on-site or remote visits, interviews and review of documentation by our audit staff. This Annual Summary Report sets out the scope of the work we covered and offers a conclusion on those completed areas which is based on the information, documents and explanations provided to us at that time of carrying out the work.

Our work is based on a high-level review supported by substantive testing on a sample basis. Our sampling methodology is documented on our test papers. The work performed does not equate to an extensive financial investigation into transactions and balances.

The scope of our review does not include evaluation or assessment of educational performance or the school's environment.

Our programme of work was agreed by Trustees and arose following a review of the Academy Trust's Risk Register and discussions with management and the Finance and Audit Committee.

The programme of work covered the following areas:

- Financial Controls
- HR Management

There were no changes to the programme initially agreed with Trustees.

We are not aware of any conflicts of interest existing or encountered during the course of this scrutiny exercise. Our internal scrutiny service to the Trust is carried out completely independent of any other service which Strictly Education may provide the Trust in any other capacity.

6.0 Summary of Recommendations

Our review, which covered the academic year September 2022 to August 2023, identified the recommendations set out in the table below. The categorisation of internal audit findings ratings are as follows:

Low (L) - There may be scope for enhancing control or improving efficiency and quality, but systems and processes are good.

Medium (M) - Timely management attention is necessary to achieve more robust control.

High (H) - A serious risk has been identified which requires urgent management attention.

Summary of recommendation	Risk rating	Management response
Review 1 – To identify any control weaknesses in the Financial Control systems		
<p>1</p> <p>We recommend that all purchase transactions are processed in accordance with the authorisation limits in the Financial Handbook. We further recommend that staff are given refresher training in financial procedures in this regard and that the Trust spot-check higher value POs raised to ensure that processes are being followed.</p> <p>For orders over £5,000, 3 quotes should always be obtained.</p>	H	<p>The related schools will be contacted to discuss these specific examples to ensure they are fully aware of the processes as detailed in the DDAT Financial Handbook.</p> <p>The Central Team hold a mandatory training session on the purchasing and approvals process, linking this specifically to the DDAT Financial Handbook. The Appendix 1 Authorisation limits table in the DDAT FH needs to be simplified to provide clarity around the limits. This will be updated as part of the handbook review which is scheduled for Autumn 23.</p> <p>The current SAGE 200 financial system is very limited in terms of tightening up the authorisation process. It is planned to procure a new finance system in 2024, and the authorisation process will be a key factor in which system is best for DDAT.</p>

2	<p>We recommend that all key financial policy documents are properly dated, clearly evidenced as prepared, and prominently display the approval and date of approval by the Trust Board.</p>	M	<p>This will implemented at the next review date of all DDAT polices.</p> <p>The key assumptions and advice in the budget setting guidance were fed back to the finance committee and board prior to the budgets being set.</p> <p>The complete budget setting guidance document will be shared with the finance committee prior to the budgets being agreed. Any subsequent changes will also be fed back.</p>
3	<p>We recommend that the Trusts make monthly VAT returns and regularly clear reconciling items through their review of month-end reconciliations. We acknowledge that the Trust is making an effort to clear the VAT return backlog.</p> <p>Once SAGE 200, is replaced and the returns process becomes more straightforward, the Trusts should aim to reclaim VAT on as regular a basis as possible.</p>	M	<p>A process has now been put into place to reclaim VAT on a monthly basis.</p> <p>All outstanding VAT claims have now been processed and received.</p>

4	<p>We recommend that the trust reviews its journal authorisation process and amends them to reflect a revised level of authorisation based on the materiality of the journal. Authorisation in these instances should be via journal template.</p> <p>Procedures should then be revised in light of the capabilities of the new accounting package introduced, which should ideally result in an authorisation to the journals being given by someone who has not been involved in the posting process.</p>	M	<p>Due to the current system not allowing for journal authorisations, which is also the same amongst many other finance systems, this isn't something we can change until the new system is in place.</p> <p>All journals are reviewed as part of the month end processed so any erroneous journals will be picked up at this stage.</p> <p>The only journals being completed across all schools are the payroll journals, for which control account checks are in place.</p> <p>Checks will continue to be made as part of the month end pack, and this will be fully addressed with the new finance systems.</p>
5	<p>We recommend that the Trusts bank reconciliations are prepared and reviewed on a timely basis. The Trusts may consider spot checking reconciliations when undertaking site visits to ensure that they are appropriately completed and authorised and give additional training to those sites who are not currently preparing reconciliations correctly.</p>	M	<p>The bank reconciliations are prepared and reviewed on a timely basis as part of the Month End Process.</p> <p>Spot checking will be introduced to ensure that the reconciliations are being completed corrected and signed of as required.</p>
6	<p>We recommend the Trust moves all schools to the automated PO system currently adopted by the majority of schools, so it may maintain visibility of all pending transactions.</p> <p>Once the new accounting system is introduced and approval of electronic POs may be made and tracked, this should be followed by all schools within the Trusts.</p>	M	<p>The 7 schools will be targeted to ensure that they are raising PO's through the current SAGE 200 Finance system,</p>

7	<p>We recommend that the Trusts continue with their long-term plan to eliminate the use of procurement cards.</p> <p>Until such time however, we recommend that:</p> <ol style="list-style-type: none"> 1 A Procurement Card Policy is drafted and approved. 2 The Trusts remind staff to ensure that VAT invoices are submitted for approval wherever possible. We recommend that The Trust give a set timeframe for the return of purchasing card approval forms and associated receipts. Where no VAT invoice exists or for any missing documentation an explanation should be given. 3 For cards held by SBM and HT, reconciliations should be reviewed at Trust level or by the LGB Governors. 4 All Amazon purchases are moved to the Central Trust account, which has been created with Amazon with immediate effect, and written procedures for use of the account are documented and distributed to all academy sites. <p>5</p>	M	<p>A procurement card policy will be drafted and approved</p> <p>Schools will be reminded of this on the October Finance update.</p> <p>This isn't currently manageable due to amount of cards held across the Trust. This will be reviewed at the point of drafting the policy.</p> <p>All school accounts have now been moved to the central trust account and written procedures will follow,</p>
8	<p>We recommend that a preferred suppliers list is established for the Trusts as a whole.</p>	M	<p>Due to the current scheme of delegation (which is currently being reviewed) this hasn't been possible.</p> <p>It is planned to introduce a preferred suppliers list alongside the implementation of the new Finance system.</p>

9	<p>We recommend that:</p> <ol style="list-style-type: none"> 1 All invoices raised should be pre-approved in a consistent manner to ensure that calculations are correct. 2 Wherever possible, hires and fees for clubs should be invoiced in advance and not in arrears. The Trust should adopt cashless systems for this wherever possible, particularly for parent payments. The Trust may wish to consider the economies gained by moving all locations to one payment provider. 3 Nursery fees should be invoiced in advance of the term based on contracts signed. Extras can be billed as they arise. 4 Rental rates for halls and day rates for club charges should be reviewed to ensure that the benefit of the hire does not outweigh the cost of it to the school, and that these are in line with other available hire options within the local area. 5 Private hire of venues should use a Trust rental agreement form, with a detailed hiring schedule and be supported by adequate indemnity insurance and DBS information, as well as a copy of the hirers own child protection policies if applicable. 	M	<p>This is something to explore within a new finance system, although in small schools this may be challenging.</p> <p>School will be reminded about invoicing in advance, including Nursery fees.</p> <p>A consistent cashless system across the Trust would be great, but this is something to review after the SOD has been reviewed.</p> <p>Schools will be reminded to review their rental rates on an annual basis.</p> <p>A rental agreement form will be drafted with a view to being used across all schools</p>
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10	We recommend that the Trust includes all KPI information within its monthly management accounts packs.	L	The monthly management accounts have only been implemented this year. Due to system limitations this process is very time consuming and a significant drain on the central teams resource each month. The management accounts will continue to be reviewed and the possibility of introduced KPI's will be explored.
11	Following the initiation of a monthly management accounts pack for the Trustees, we recommend that this information, which now includes balance sheet and cash flow projections, forms part of the 2023/24 budget submissions to Board for all Trust locations.	L	Balance sheet and cash flow projections are part of the management accounts are made available to the Board on a monthly basis.
12	We recommend that the new month end School reporting pack with high level summaries of control account reconciliations should be consistently applied across all school locations as soon as possible.	L	All Schools are now using the new month end reporting pack.
13	The Trust should consider tracking sustainability as a KPI for all School sites.	L	This will be added to the monthly management accounts.
14	We recommend that the Trusts consider preparing a consolidated Fixed Asset Register and ensuring that all schools prepare fixed asset registers in the same format, to augment arrangements for management and monitoring of fixed assets across the Trusts. We further recommend the Trusts consider a programme of annual spot checks.	L	We will plan to work towards a consolidated Fixed Asset register in the future. As stated annual spot checks are undertaken by the external auditors, so whilst we will look to implement this in the future it deemed as low priority.
15	We recommend that the Trusts should review their Reserves and Investment Policy annually and this reviewed and approval be evidenced.	L	The Reserves and Investment Policy is out of date and is confusing. It is planned to review this as part of the work being done on the SOD.
16	For annual contract renewals under £5k, we recommend that the Trusts consider setting a tolerance level for price increases to ensure that although they are below the three quotes level, they remain adequately challenged and value for money is obtained.	L	School's will be reminded about ensuring that obtaining value for money with all purchases. The suggestion of introducing a tolerance level will be investigated.

Review 2 – To identify any control weaknesses in HR Management systems			
1	We recommend that the Trust has a documented policy and procedure to formally assess the nature of its relationship with those undertaking work on its behalf and identification of appropriate workers who should be subject to IR35 determination tests. The HMRC CEST Tool can be used to assist in reviewing and to produce and record a formal determination statement for each third-party engagement.	H	We will draft and implement a IR35 Policy and guidance document.
2	We recommend that the Trusts draft, approve and issue a Training and Development Policy.	H	We recognise that this is an area that needs developing and communicated with a number of training providers over the past few months.
3	We recommend that the draft induction checklist is distributed and actioned across all schools as soon as possible. We further recommend that mandatory courses, e.g. on Lifting and handling, as well as key policies to be read should be added to the Induction process and checklist. The Trusts may also wish to consider the on-line Cyber Security Training for School staff available free from the NCSC. The Trust may wish to consider a timeframe for completion of the mandatory training aspects and how schools ensure prompt completion and sign off occurs.	M	The draft induction checklist was circulated at the start of the academic year. There is a section for other steps/training depending on role/school. All training requirements are included in the contracts of employment. The NCSC training has already been completed by staff
4	The Trusts should draft their own Staff Handbook in preparation for considerations by the Trade Unions at the earliest convenience.	M	This will be produced as part of the harmonisation project. It is not currently causing any issues as the Central Team are aware of the different T&C's. We are in the process of creating a handbook for the Central Team.
5	We recommend that the Trusts ensure that their documented financial processes reflect deemed direct payments for any contracts falling inside IR35.	M	Liaising with the CFO regarding this point to ensure consistency.

6	<p>We recommend that the Trusts review and adapt their current Equal opportunities Policy to include objectives.</p> <p>The Trust should make sure equality objectives are accessible which can be achieved by publishing this policy on their website.</p> <p>We recommend that the Trusts report annually information on how they are complying with their duty, including evidence of progress made towards achieving their published objectives.</p> <p>We understand that 2023 Gender pay gap information will be published on the Trust website over the Summer (re 31 March 2023).</p>	M	<p>Gender pay gap information was loaded over the Summer.</p> <p>Information relating to PSED to be added to the policy upon review.</p>
7	<p>We recommend that the Trusts ensure that the following are present on all job advertisements:</p> <p>Whether or not the position is exempt from Rehab of Offender Act 74, a direct link to its Safeguarding Policy, and specifically state that the Trust is a Safer Recruitment Employer</p>	M	Actioned already and will be on all job adverts.
8	The Trusts should consider including a 'Training Needs' slot on its staff appraisal forms so that individual training and development needs are captured and training arranged at a School level as necessary.	M	This is managed at school level and is included in the new appraisal policy.
9	<p>The Trusts should consider developing a Trust-Wide annual training plan, which should include all mandatory training requirements for key staff. This should be applied consistently Trust-wide.</p> <p>They should also consider the need for best value across the Trusts by centralising training, either at the Trust itself, or combined contract, if annual/biannual third-party training required e.g. First Aid, Safer Recruitment or PREVENT.</p>	M	<p>This is something we have been exploring with an external provider. We achieve best value for First Aid and Safer Recruitment Training amongst others as we procure centrally the staff book on via the Trust.</p> <p>Statutory training is included in the contract of employment.</p>

10	<p>We recommend that a Trust-wide Appraisal Policy and associated documents including SMART objectives for support staff is drafted and approved that supports the written processes of annual review.</p> <p>We recommend that this includes ensuring that Head Teacher appraisal and undertaken by the Local Governing Body and an experienced external advisor.</p> <p>We recommend that training on appraisal processes should then be arranged for all Line Managers.</p> <p>We recommend that schools should monitor appraisal completion and share this with Trust HR.</p>	M	A Draft Appraisal Policy has been produced. Training will be arranged for all staff carrying out Appraisals.
11	We recommend that Trust wide pay policies are instigated as soon as possible.	M	The Trust Wide pay policies will be implemented for support staff as part of harmonisation. We already have a standard policy in place for Teachers as we follow Derbyshire for both our Derbyshire and Derby City Schools.
12	We recommend that the leavers checklist be approved by the Trust and adopted for use in all schools as soon as possible.	L	This is already in the Recruitment and Selection Policy regarding exit interviews and the process regarding property etc is included in the contract of employment. The leavers checklist has already been circulated and is included on the agenda for the implementation.
13	We recommend that the Trust drafts and approves an HR Strategy that includes HR priorities.	L	This is currently being worked on.
14	We recommend that the Trusts continue to request that Schools update their electronic personnel files with all available historical data and a check is made against school payrolls to ensure that this is complete.	L	Already covered above and deadline of 31 st August 2024 being worked towards.

15	We recommend that the Trusts consider that all successful candidates sign a copy of their job descriptions as evidence that they have acknowledged the tasks of the role. The Trusts should also consider the benefits of aligning job description review with performance reviews.	L	This has been communicated to SBM's as part of the network meetings. We are also adding into the appraisal policy.
16	We recommend that the Trusts consider amending the recruitment policy to further state that the interview panel must include the line manager for the role, people with interviewing experience and those who know most about the role and what it entails.	L	Already actioned and added to the 2024 Policy.
17	We recommend that the Trusts Induction Checklist is approved and issued to all academy schools as soon as possible so that processes are aligned.	L	Already completed and circulated.
18	We recommend that the Trusts continue to monitor the use of the Google exit forms to ensure that Schools are completing them for any Summer Leavers, as well as documenting any actions taken. Schools should be reminded to chase the completion of forms wherever possible and extend the offer of a formal face to face exit interview.	L	This already happens for all leavers.

7.0 Follow up

This is the first year in which the Trust has undertaken Internal Scrutiny Reviews with an external provider and, as such we have no follow up control weaknesses and recommendations to review.

8.0 Fraud

Neither the Trust nor ourselves, through our work, have identified any issues of fraud during the current year.

9.0 Cost of Work

This internal scrutiny work was carried out over a period of 14 working days, including planning and write-up. The cost for this service for the academic year is £7,700+ VAT.

10.0 Forward Look for Next Year and Emerging Issues

The ESFA has since published its new version of the Academy Trust Handbook 2023, changed from the Academy Trust Handbook 2022, which will take effect from 1st September 2023. The Academy Trusts **must** always comply with this handbook as a condition of their funding agreement.

We have provided a summary of the key changes from the Academy Trust Handbook 2022 to The Academy Trust Handbook 2023, see Appendix 1 – Changes to the ATH.

Strictly Education is looking forward to continuing to work with your Trust to help build your vision and create the best environment possible for educating your pupils.

Appendix 1 – Changes to the ATH

Roles and responsibilities

- *Updating content on governance matters throughout part 1 following the publication of the trust quality descriptions.*
- *Emphasising the importance and value of good estates safety and management (1.19).*
- *Confirming that the board should have sufficient financial knowledge to hold the executive to account (1.25).*
- *Explaining that the roles of the Accounting Officer and the Chief Financial Officer should not be occupied by the same individual (1.28).*

Main financial requirements

- *Confirming that trusts no longer need to provide an explanation in their governance statement where the board has not met at least 6 times in the year (2.3).*
- *Providing trusts with an additional month to submit their Budget Forecast Return (2.15).*
- *Simplifying the position on the preparation and circulation of management accounts, including more discretion for trusts (2.18 – 2.20).*
- *Explaining the permissive position on Electric Vehicle (EV) salary sacrifice schemes (2.31).*

Delegated Authorities

- *Simplifying the position on GAG pooling to strengthen the value and importance of this practice for trusts to consider (5.30 and 5.31).*
- *Refining the approval threshold for related party transactions, and simplifying arrangements for transactions within other educational providers (5.42 & 5.57).*

The regulator and intervention

- *Amendment to the section on Notice to Improve (Ntl) to make clearer the range of circumstances in which an Ntl might be issued (6.16.) The department will engage with the sector in developing its approach to intervention, including the process to be followed by the department's Regions Group and the evidence that they will rely on to determine the strength of trustees' oversight of educational performance.*

Appendix 2 – Contact Information

Please find below the contact details of the team responsible for delivery of the work.

Deputy Head of Financial Services and Audit – Susan Hamilton

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