

SCHEDULE V

ACADEMY: INTERNAL AUDIT ASSIGNMENT

This schedule should be read in conjunction with the engagement letter and the terms of business and sets out the basis on which we are to provide internal assurance services and to clarify our respective responsibilities.

1. YOUR RESPONSIBILITIES

- 1.1 Our assurance work will be conducted on the basis that you have fulfilled your responsibilities:
- (a) You are responsible for ensuring that the Trust has a programme of internal scrutiny to provide independent assurance to the board that its financial and others controls, and risk management procedures, are operating effectively.
 - (b) You are responsible for identifying on a risk-basis (with reference to the risk register) the areas to be reviewed each year.
 - (c) You are responsible for establishing appropriate reporting lines whereby those carrying out checks report directly to an audit committee, which in turn provides assurance to the Trustees.
 - (d) You are responsible for establishing an audit committee which directs the Trust's programme of internal scrutiny and reports to the board on the adequacy of the Trust's financial and other controls and management of risks.
 - (e) You are responsible for reporting on the form of internal scrutiny applied and reasons why in the Trust's governance statement, and ensuring that the outcome of work informs the accounting officer's statement of regularity, in the annual accounts.
 - (f) You are responsible for submitting the annual summary report to ESFA by 31 December each year, and any other internal scrutiny reports if requested.
- 1.2 You have agreed to provide us with:
- (a) access to all information of which you are aware that is relevant to the internal assurance assignment such as the Trust's books of account, financial systems documentation, policies and procedures manuals and all other relevant records and documentation;
 - (b) additional information that we may request from you for the purpose of the assignment; and
 - (c) unrestricted access to persons within the Trust from whom we determine it necessary to obtain evidence.

2. OUR RESPONSIBILITIES AS PROVIDERS OF INTERNAL AUDIT SERVICES

- 2.1 Our responsibility is to carry out the board-approved programme of internal scrutiny.
- (a) We will evaluate the suitability of, and level of compliance with, financial and other controls, including an assessment of whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed.
 - (b) We will report to the audit committee on weaknesses in financial and other controls and how to address them.
 - (c) We will assist the Trust in ensuring that the programme of internal scrutiny is determined on a risk-basis.
 - (d) We will take into account output from other assurance procedures (for example that of external audit) to inform the programme of work.
 - (e) We will provide regular updates to the appropriate committee at each meeting, including recommendations where appropriate to enhance financial and other controls and risk management.
 - (f) We will provide an annual summary report to the audit committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions.

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- 2.2 Our report will be made solely to the Trust's board or audit committee and its Senior Management Team. We will not accept or assume responsibility to anyone other than the Trust and its members as a body for our assurance work. Our work does not relieve you of your responsibilities.

3. SCOPE OF WORK

- 3.1 We will carry out the following as part of this assignment:
- (a) Obtain an understanding of the accounting and internal control systems in order to assess their adequacy.
 - (b) Review the Trust's policies for compliance with ESFA Academies financial handbook and other Department of Education published guidance.
 - (c) Review documentation and enquire into the system of internal control, risk management and assurance processes and assess their compliance with ESFA Academies financial handbook and other Department of Education published guidance.
 - (d) Test check a sample of transactions and processes for compliance with the Trust's policies and procedures
 - (e) Report back to management on the results, weaknesses, recommendations and document management response.
 - (f) Provide reports to the audit committee and attend as required.

4. COMMUNICATION

- 4.1 In order to ensure that there is effective two-way communication between us we set out below the expected form and timing of such communications.
- (a) We shall contact your primary contact by telephone prior to each academic year to arrange a meeting to discuss the internal scrutiny audit programme.
 - (b) We will prepare a planning document for submission to the audit committee to confirm a rolling annual programme prior to the expected start date.
 - (c) Our work will be organised into discrete modules. Prior to each individual module we will meet with the key contact to discuss the scope of the work, the information requirements and the availability of staff of the Trust. any matters arising from the audit after completion of the detailed work. Again we will confirm in writing the matters discussed and any agreed action.
 - (d) After each module we will produce a draft report of our findings to the appropriate member of the Senior Management Team. After obtaining their comments we will produce a final report for presentation to the audit committee.
 - (e) We will present the annual summary report for each academic year to the audit committee prior to the following 31 December.

5. OTHER

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

Recommendations for improvements should be assessed by you for their full impact before they are implemented.

The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

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Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting and other records and transactions for the purposes of our audit work and to ensure the authenticity of these documents.

Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.