

Brooke Hill Academy Trust

Supplementary audit checks - Report from visit 20th September 2018



Supplementary audit checks - Report - 20th September 2018

This is the report for the second supplementary audit visit for the year ended 31st August 2018. The visit was to Brooke Hill Academy Trust and this report details a review of 1st February 2018 to 31st August 2018 transactions, and the systems that are currently in place at the Academy. Our work is based on the 'Musts' and 'Shoulds' from the Academies Financial Handbook (AFH).

Risk Analysis Key:



No recommendations identified.



Minor – Improvements can be implemented throughout the year.



Moderate – Improvements should be in place before next supplementary audit visit.



High – Improvements need to be implemented immediately.

1. Governors

1.1 Review of changes to Board of Directors

Per AFH:

- Trusts must notify, in writing, the ESFA of the vacating or filling of the positions of member, trustee, local governor, chair of the board of trustees/local governing body, accounting officer and chief financial officer within 14 days of that change.

Findings: 20th September 2018

We have reviewed the current list of governors against the lists held by the ESFA on Edubase, and that held at Companies House. We have also reviewed the details held for the accounting officer and chief financial officer. Sinclair Rogers and Fran Parrish are not showing at Companies House. The Get Information in Schools (GIAS) service is not showing Peter Hawker, Richard Haynes, Iain Osborne or Fran Parrish as trustees. Finally, Peter Rayers is still listed as a trustee on the GIAS website but resigned on the 20th July 2018.



MINOR

We recommend that the academy trust ensures that the information on the GIAS and Companies House website is updated for all changes in local governors and trustees.

1.2 Review of the structure of the Board of Directors

Per AFH:

- The board of trustees must meet at least three times a year, and conduct business only when quorate.
- The academy trust should have a finance committee to which the board delegates financial scrutiny and oversight.
- Where a trust has an annual income of less than £50 million, it must either establish an audit committee or include the functions of an audit committee within another committee.
- Staff employed by the trust should not be members of an audit committee (where there is a combined finance and audit committee, staff may be members but should not participate as members when audit matters are discussed).

Effective 1st September 2018:

- If the board meet less than six times a year it must describe in its governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings.

Findings: 20th September 2018

We have reviewed the minutes of 3 meetings of the directors during the current financial year. On average, 86% of governors have attended those meetings.

We have reviewed the minutes of 10 meetings of the resources committee during the current financial year. On average, 80% of governors attended the meetings.



No recommendations identified, however we draw attention to the additional requirements in the Academies Financial Handbook 2018, effective 1st September 2018.

1.3 Review of skills and experience of board of trustees

Per AFH:

- The board of trustees should identify the skills and experience it needs, and address any gaps through recruitment, and/or induction, training and other development activities.
- The board of trustees should also perform this for any local governing bodies it has put in place.

Findings: 20th September 2018

Through our enquiries, we have identified that a skills review of the board of trustees and local governors has not been performed in the last 12 months.



MINOR

We recommend that the governors perform a skills review for the board and local governors, on an annual basis, to identify any gaps which need to be addressed.

1.4 Review of previous audit and supplementary visit points

Per AFH:

- Governors must take full control of the academy trust's financial affairs and ensure there is appropriate oversight of financial transactions by:
 - Keeping and maintaining full and accurate accounting records;
 - Preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards.

Findings: 20th September 2018

We have reviewed the full trust board minutes but have been unable to identify where the previous supplementary audit report was considered by governors. We have also identified that some of the management points raised from the previous supplementary audit report are still outstanding.



MINOR

We recommend that the review of the supplementary audit report is included within the full governors' minutes and that the points raised are considered, including whether any require a review of policies or procedures.

1.5 Pecuniary interests

Per AFH:

- The academy trust's register of interests must capture relevant business and pecuniary interests of members, trustees, local governors of academies within a multi-academy trust and senior employees, including: directorships, partnerships and employments with businesses; trusteeships and governorships at other educational institutions and charities.
 - For each business: the name of the business; the nature of the business; the nature of the interest; and the date the interest began.
- The register must identify any relevant material interests arising from close family relationships between the academy trust's members, trustees or local governors. It must also identify relevant material interests arising from close family relationships between those individuals and employees.
- Trusts should consider carefully whether any other interests should be registered. Boards of trustees should keep their register of interests up-to-date through regular review.
- Trusts must publish on their websites relevant business and pecuniary interests of members, trustees, local governors and accounting officers.

Findings: 20th September 2018

We have reviewed the minutes for the trust and local governing body meetings for the period. We have identified that pecuniary interests are not declared and recorded in the minutes of each meeting.



MINOR

We recommend that declaration for any pecuniary interests is included at the start of every meeting of governors or sub committees and this is documented in the minutes. Where there are none to be declared, a nil declaration should be included.

1.6 Review of connected parties

Per AFH:

- An academy trust must pay no more than cost for goods or services provided to it by connected parties.
- The trust must agree an appropriate sum to be paid to the trust for use/occupation of the premises where any staff/personnel of a connected party is based in, or works from, the premises of the academy trust.
- Where a contract takes the trust's cumulative annual total with a connected party beyond £2,500, the element above £2,500 must be at no more than cost.
- Academy trusts must ensure that any agreement with a connected party is properly procured through an open and fair process, is supported by a statement of assurance from the connected party confirming that their charges do not exceed the cost of the goods or services, and is on the basis of an open book agreement.
- Full cost must not include an element of profit.

Findings: 20th September 2018

We have reviewed transactions with connected parties, as defined in the Academies Financial Handbook. We have identified that no connected party has total transactions above £2,500 in the financial year. The process for procurement for connected parties is the same process as that for non-connected parties, with the value for money principle being applied in the case of the identified transaction.



No recommendations identified.

1.7 Review of correspondence from ESFA and DfE

Per AFH:

- Accounting officers must share the "Dear Accounting Officer" letter with their members, trustees, chief financial officer and other members of the senior leadership team, arrange for it to be discussed by the board of trustees and take action where appropriate to strengthen the trust's financial systems and controls.

Findings: 20th September 2018

We have reviewed the correspondence received from the ESFA and DfE for the financial year. However, our review of the minutes for the full governing body and resource committee have not identified whether these letters have been shared with the relevant people.



MINOR

We recommend that the trust ensures that any correspondence received from the ESFA and Department for Education, other than funding advices, is shared with the relevant people in accordance with the guidelines in the Academies Financial Handbook.

2. Financial Processes and Procedures

2.1 Review of control over fixed assets

Per AFH:

- The senior executive leader should be appointed as accounting officer and must have oversight of financial transactions, including:
 - Ensuring that all the academy trust's property/assets are under the control of the trustees and measures are in place to prevent losses or misuse, including the maintenance of fixed asset registers.

Findings: 20th September 2018

Your depreciation policies:

- Fixtures and fittings – 25% on cost
- Computer equipment – 25% on cost
- Land and buildings – 2% straight line
- Heating, lighting and fixtures – 10% on cost

The academy trust calculates depreciation on a monthly basis for management accounts and we have identified that the depreciation is calculated in line with these policies. Disposals are identified by the chief finance officer at the year end. There is a process followed to ensure that all disposals are obtaining the best, reasonably obtained sales price.



No recommendations identified.

2.2 Review of Whistleblowing procedure

Per AFH:

- Academy trusts must have appropriate procedures in place for whistleblowing, including making sure that all members of staff are aware to whom they can report their concerns, and the way in which such concerns will be managed.

Findings: 20th September 2018

We have reviewed the Whistleblowing policy. We have identified that it is freely available to all staff, as it is available in the staff room, in a readily accessible format.



No recommendations identified.

2.3 Review of procedures for fraud, theft and irregularity

Per AFH:

- Trusts must take appropriate action where fraud, theft and/or irregularity is suspected or identified.
- The academy trust must notify ESFA, as soon as is operationally practical based on its particular circumstances, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year. Any unusual or systemic fraud, regardless of value, must also be reported.

Findings: 20th September 2018

Our enquiries have not identified any instances of alleged, suspected or actual fraud, theft or irregularity.



No recommendations identified.

3. Bank accounts

3.1 Review of bank reconciliations and bank balances

Per AFH:

- The trust should avoid going overdrawn, and reconcile bank and control accounts regularly.

Findings: 20th September 2018

We have reviewed the bank statements for the period. None of the bank accounts have gone overdrawn in the period. Account balances are being reconciled on a regular basis, and outstanding items are being cleared on a timely basis.



No recommendations identified.

3.2 Review of investments

Per AFH:

- The trust board of trustees must ensure that investment risk is properly managed.
- The board of trustees must, when considering making an investment, ensure:
 - That they act within their powers set out in the articles of association of the trust;
 - That the trust has an investment policy which includes ensuring value for money;
 - That exposure is tightly controlled so that funds security takes precedence over revenue maximisation;
 - That all investment decisions are in the best interests of the trust;
 - That they review the trust's investments and investment policy regularly.

Findings: 20th September 2018

We have reviewed the academy trust's investment policy. The academy trust does not hold any investments, nor has any plans to in the near future.



No recommendations identified.

4. Management accounts

4.1 Review of control accounts

Per AFH:

- The trust should reconcile control accounts regularly.

Findings: 20th September 2018

We have reviewed the VAT and Payroll control reconciliations for August 2018. The reconciliations are being done on a monthly basis. We do not have any issues with the reconciliations.



No recommendations identified.

4.2 Review information given to Governors

Per AFH:

- Governors must take full control of the academy trust's financial affairs and ensure there is appropriate oversight of financial transactions by:
 - keeping and maintaining full and accurate accounting records;
 - preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards.

Effective 1st September 2018:

- The trust must prepare management accounts every month setting out its financial performance and position, comprising budget variance reports and cashflow forecasts with sufficient information to manage cash, debtors and creditors.
- Management accounts must also be shared with the chair of trustees every month irrespective of the size of the trust, and with the other trustees six times a year.

Findings: 20th September 2018

We have reviewed the actual expenditure compared to that budgeted for. When overspend has occurred, the trustees are aware, as they are presented with the report, along with reasons for the overspend.



No recommendations identified, however we draw attention to the additional requirements in the Academies Financial Handbook 2018, effective 1st September 2018.

5. Income

5.1 Review of other income

Per AFH:

- The senior executive leader should be appointed as accounting officer and must have oversight of financial transactions.
 - Keeping full and accurate accounting records to support their annual accounts.

Findings: 20th September 2018

We have traced two other income receipts to their original source documentation to ensure that they have been correctly analysed within the accounting system. The two other income receipts reviewed were for funds received from a book fair and a clothing collection for the Salvation Army. The other income invoices were received in the same month as being raised.



No recommendations identified.

5.2 Review of census to funding statement

Per AFH:

- The trust's internal control framework must include:
 - The propriety and regularity of financial transactions.

Findings: 20th September 2018

We have reviewed the academy trust's income nominals, and have not identified any new types of income being received where the VAT implications have not been considered.



No recommendations identified.

5.3 Review of debtor balances

Per AFH:

- The trust should always pursue recovery of amounts owed to it, overpayments or payments made in error, irrespective of how they came to be made.
- The trust must obtain ESFA's prior approval for certain transactions beyond the delegated limits. These transactions include writing off debts and losses, and entering into guarantees, letters of comfort or indemnities.

Findings: 20th September 2018

We have reviewed the aged debtor listing and identified no balances which are outside the normal terms of payment. Our enquiries have not identified any write offs of debts or losses, nor any guarantees, letters of comfort or indemnities entered into, during the period.



No recommendations identified.

5.4 Review of chargeable services policy

Per AFH:

- The trust's internal control framework must include:
 - The propriety and regularity of financial transactions.
- Academy trusts should set fees for their chargeable services at full costs, but can apply an additional rate of return when in a commercial environment.

Findings: 20th September 2018

We have reviewed the charging and lettings policies for charging for school activities and the trust's lettings policy. Both policies are dated September 2017. We have identified that the policies set rates for chargeable and letting services at a level at least that of full cost.



No recommendations identified.

6. Expenditure and payroll

6.1 Review of payroll arrangements

Per AFH:

- Academy trusts must ensure that their senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance.

Findings: 20th September 2018

We have performed payroll testing on three employees. Testing included tracing to employee personnel files, as well as recalculation of deductions. We have identified that a copy of the updated salary letters to employees is kept, along with the salary assessment form, within the personnel file.

We have also reviewed the academy trust's arrangements with self-employed contractors and individuals engaged through private limited companies in respect of the IR35 regulations.



No recommendations identified.

6.2 Review of payroll authorisation

Per AFH:

- The trust's internal control framework must include:
 - Applying discipline in financial management, including appropriate segregation of duties.
 - A process for checking of financial controls, systems, transactions and risks.
 - A process for reducing the risk of fraud and theft.

Findings: 20th September 2018

We have reviewed two months of the final payroll print and have identified that it is approved and reviewed by Sharon Milner (Accounting Officer) as authorised. We have also reviewed the supporting evidence for two amendments to the payroll in the period February to August 2018.



No recommendations identified.

6.3 Review of staff severance payments

Per AFH:

- If an academy trust is considering making a staff severance payment above the statutory or contractual entitlements, before making any binding commitments, it must consider:
 - That trustees reasonably consider the proposed payment to be in the interests of the trust;
 - Whether such a payment is justified, based on a legal assessment of the chances of the trust successfully defending the case at employment tribunal;
 - If justified, the trust would need to consider the level of the settlement, which must be less than the legal assessment of what the relevant body is likely to award in the circumstances.
- Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance.
- Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more (gross), ESFA's prior approval must be obtained before the trust makes any binding settlement offer.
- A trust must base its decision, when considering a compensation payment, on a careful appraisal of the facts, including legal advice where relevant, to ensure that value for money will be achieved.
- Ex gratia payments must always be referred to ESFA for prior authorisation.

Findings: 20th September 2018

We have identified that there have been no severance payments made to staff during the year.

We have not identified any ex gratia payments in the year.



No recommendations identified.

6.4 Expenses and gifts & hospitality policies

Per AFH:

- Governors must ensure that any gifts given by the academy trust have the reason fully documented and have regard to propriety and regularity in the use of public funds.
- The academy trust should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or any other benefit and should ensure all members of staff are made aware of this.

Findings: 20th September 2018

We have reviewed the academy trust's expenses policy and have identified that it is in line with other academies that we act for. However, we note that the academy trust does not currently have a gifts and hospitality policy or operate a gift register.



MODERATE

We recommend that a gifts and hospitality policy is implemented and that the governors ensure that it covers all areas and is reasonable for a trust of Brooke Hill Academy Trust's size.

6.5 Review of expenses

Per AFH:

- The senior executive leader should be appointed as accounting officer, and must have oversight of financial transactions, including:
 - Keeping full and accurate accounting records to support their annual accounts.
- The trust's internal control framework must include:
 - Ensuring that delegated financial authorities are respected.
 - The propriety and regularity of financial transactions.

Findings: 20th September 2018

We have reviewed a sample of one expense claim and one credit card claim. We have identified that the both the expense and credit card claims were signed as authorised. Through our enquiries we have identified that expense/credit card claims for the headteachers of each academy are authorised by the Accounting Officer.



No recommendations identified.

6.6 Review of leasing arrangements

Per AFH:

- Trusts must obtain ESFA's prior approval for the following leasing transactions:
 - Taking up a finance lease.
 - Taking up a leasehold or tenancy agreement on land or buildings from another party for a term or seven or more years.
 - Granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.
- Trusts must ensure that any lease arrangement maintains the principles of value for money, regularity and propriety.

Findings: 20th September 2018

Through enquiry, we have ascertained that there have been no new leases entered into during the financial year.



No recommendations identified.

7. Filing and miscellaneous

7.1 Transparency

Per AFH:

- The board of trustees must provide details of the academy trust's governance arrangements in the governance statement published within its annual accounts, and on its website.
 - This includes the scheme of delegation for governance functions, setting out what the board has delegated to its committees and/or to local governing bodies.
- Established trusts should include an assessment of the trust's governance, including a review of the composition of the board in terms of skills, effectiveness, leadership and impact.
- An academy trust must publish on its website up-to-date details of its governance arrangements in a readily accessible format. This must include:
 - The structure and remit of the members, board of trustees, committees and local governing bodies, as well as the full names of the chair for each.
 - The full names, date of appointment/resignation and relevant business and pecuniary interests (to include governance roles in other educational institutions) for any member, trustee or local governor who has served at any point over the last 12 months.
 - The term of office and who appointed (in accordance with the trust's articles) each trustee and local governor who has served at any point over the last 12 months.
 - The trust's accounting officer's relevant business and pecuniary interests (regardless of whether or not they are a trustee).
 - The attendance records of each trustee at board and committee meetings over the last academic year.
 - The attendance records of each local governor at local governing body meetings over the last academic year.

Findings: 20th September 2018

We have reviewed the governance arrangement information published on the academy trust's website. We have identified that all required information is shown on the trust's website in a readily accessible format.



No recommendations identified.

7.2 Budget forecasting return

Per AFH:

- The academy trust must submit to ESFA, budget forecasting information in a form specified by ESFA, by the 28th July of the year in which the start of the financial year occurs (28th July 2017 for 2017/18).

Findings: 20th September 2018

The budget for the trust was approved by the trustees' meeting on 9th July 2018. The budget return for the trust was submitted before 25th July 2018, which is before the ESFA's deadline.



No recommendations identified.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our supplementary audit visits in accordance with the remit agreed with the governing body 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 our 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 this function should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify circumstances of fraud or irregularity.