

Brooke Hill Academy Trust

Supplementary audit checks - Report from visit 21st February 2018



Supplementary audit checks – Report – 21st February 2018

This is the report for the first supplementary audit visit for the year ended 31st August 2018. The visit was to Brooke Hill Academy and this report details a review of September 2017 to January 2018 transactions, and the systems that are currently in place at the Academy Trust. 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 attendance at meetings

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).

Findings: 21st February 2018

We have reviewed the minutes of 1 meeting of the full governors during the current financial year. On average, 90% of governors have attended the meeting.

We have reviewed the minutes of 4 meetings of the finance committee during the current financial year. On average, 75% of governors have attended those meetings. We have identified that one of these meetings was not quorate, as fewer than 4 members of the committee were in attendance, however we are aware that this was due to members being unable to attend due to adverse weather conditions.



No recommendations identified

1.2 Review of the structure of the Board of Governors

Per AFH:

- Academy trusts must have at least three members, although the Department for Education recommends that trusts have at least five members wherever possible.
- Employees of the trust must not be appointed as members unless permitted by the articles of association.

Findings: 21st February 2018

We have identified that there are 4 members of the trust and no members are currently employed by the trust.



MINOR

The Department for Education now recommends that academy trusts have at least five members wherever possible to provide for a more diverse range of perspectives, reduce the risk of concentrating power and allow decisions without requiring unanimity. This guidance is different from when you converted to an academy.

1.3 Review of structure of finance and audit committee

Per AFH:

- 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).
- The board of trustees must understand their statutory duties as company directors as set out in the Companies Act 2006. Trustees must be aware of the Charity Commission's guidance for trustees.

Findings: 21st February 2018

We have identified that there are 8 members of the finance committee.

We have identified that support is being given to new governors in the form of training and support within the group of governors.



No recommendations identified.

1.4 Appointment of a clerk

Per AFH:

- The academy trust should appoint a Clerk to the board of trustees who is someone other than a trustee, principal or chief executive of the trust.

Findings: 21st February 2018

Nicola Tyers is employed as a Clerk to the board of governors. She is operating as an independent sole trader.



No recommendations identified.

1.5 Appointment of an accounting officer

Per AFH:

- Each academy trust must designate, in writing, a named individual as its accounting officer who must be a fit and suitable person for the role. The role must not rotate.
- The accounting officer should be the senior executive leader of the trust.

Findings: 21st February 2018

Sharon Milner is the trust's accounting officer. She is the principal of the academy trust. There has been no rotation of the role during the period.



No recommendations identified.

1.6 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: 21st February 2018

We have reviewed the pecuniary interest forms for trustees and the senior leadership team.

We have not identified any forms missing for years 2017/18 for the current members of these teams.

We have identified that pecuniary interests in items on the agenda are not being declared in the minutes of meetings of directors and the resources committee.



MINOR

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

2. Financial Processes and Procedures

2.1 Scheme of delegation of financial powers

Per AFH:

- The board of trustees must approve a written scheme of delegation of financial powers that maintains robust internal control arrangements.
- The senior executive leader should be appointed as accounting officer and must have oversight of financial transactions, including:
 - Ensuring that bank accounts, financial systems and financial records are operated by more than one person
 - Keeping full and accurate accounting records to support their annual accounts
- The trust's finance staff must be appropriately qualified and/or experienced.

Findings: 21st February 2018

We have reviewed the scheme of delegation of financial powers. There are currently 6 signatories on the bank accounts: the School Business Manager at Brooke Hill, the Deputy Head of School at Brooke Hill, a Trustee, the Executive Headteacher, the Head of School at Brooke Hill and the Data and Process Documentation Manager.

The School Business Manager (Mr D Smith) is responsible for both the placing & raising of purchase orders, and the authorisation of payments.



MINOR

We recommend that the governors review the scheme of delegation of financial powers to ensure that segregation of duties occurs.

2.2 Review of internal control framework

Per AFH:

- The academy trust must establish a control framework that recognises public expectations about governance, standards and openness.

Findings: 21st February 2018

We have reviewed the trust's Financial Regulations. They were last reviewed by governors on 29th November 2017.

Your policy:



No recommendations identified.

2.3 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: 21st February 2018

We have identified that the academy trust keeps a fixed asset register.

The academy trust keeps this up-to-date throughout the year by identifying additions and disposals as they occur in line with their capitalisation policy.

We have also reviewed the capitalisation policy.

Your policy: "All equipment over the value of £1,000 or those of a capital nature are to be held on the fixed asset register."



No recommendations identified.

2.4 Review of budget

Per AFH:

- The board of trustees must approve a balanced budget for the financial year to 31st August and such approval must be minuted. Any significant changes to the budget must also have trustee approval and be minuted.
- The board of trustees must notify ESFA within 14 days if it is formally proposing to set a deficit revenue budget for the current financial year which is it unable to address, after unspent funds from previous years are taken into account.
- The budget return must be submitted by 28th July of the year in which the start of the financial year occurs (28 July 2017 for 2017/18).

Findings: 21st February 2018

We have reviewed the budget setting process. The budget for the financial year to 31st August 2018 for BH and SW are set to give a surplus. However, the budget for EW is set to give an in year revenue deficit, although this is at a level which would be covered by brought forward reserves to ensure a surplus position at the year-end. The budget was approved by the trust meeting on 17th July 2017.



No recommendations identified.

2.5 Risk register

Per AFH:

- The trust must recognise and manage present and future risks to ensure its effective and continued operation.
- The academy trust should maintain a risk register.
- Academy trusts must be aware of the risk of fraud, theft and/or irregularity occurring and, as far as possible, address this risk in their internal control and assurance arrangements.

Findings: 21st February 2018

We have reviewed the academy trust's risk register. We have not identified any significant financial risks, which the academy trust may face, which have not been included.

The governors last reviewed and approved the risk register on the 10th January 2018.

We have reviewed the academy trust's insurance policy. We have not identified any significant risks, which the academy trust may face, which have not been included on the policy.



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: 21st February 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 petty cash

Per AFH:

- The trust should manage its cash position.

Findings: 21st February 2018

We have reviewed the petty cash balance of Brooke Hill Academy during our visit.

We have agreed the balance held to that showing on the financial reporting system at the same date.

We note that the vouchers for issuance of petty cash are being signed by both the issuer and recipient.



No recommendations identified.

4. Management accounts

4.1 Review of control accounts

Per AFH:

- The trust should reconcile control accounts regularly.

Findings: 21st February 2018

We have reviewed Sales and Purchase ledger control reconciliations for January 2018.

The reconciliations are being done on a monthly basis.

We have not identified 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.

Findings: 21st February 2018

We have reviewed the reports presented to governors at the meeting on 10th January 2018.

These reports include December 2017, and are created from the accounting software and schedules produced by the Accounts Administrator.

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 any overspend.



No recommendations identified.

4.3 Review of opening balances

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;

Findings: 21st February 2018

We have reviewed the journal posting for the year-end audit adjustments showing on the financial reporting system.

We have not identified any issues with the posting.



No recommendations identified.

5. Income

5.1 Review of funding 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: 21st February 2018

We have traced 2 funding income receipts for each school, to their original source documentation to ensure that they have been correctly analysed within the accounting system.

They have also been traced to the receipts showing in the bank accounts to ensure that they were received on a timely basis.



No recommendations identified.

5.2 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: 21st February 2018

We have reviewed the aged debtor listing and identified 5 balances which are outside the normal terms of payment.

Through enquiry, we have ascertained that the academy trust is actively chasing these debts and considers them still to be recoverable.

There have been no write offs of debts or losses, nor any guarantees, letters of comfort or indemnities entered into, during the period.



No recommendations identified.

5.3 Review of census to funding statement

Per AFH:

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

Findings: 21st February 2018

We have reviewed the pupil censuses used to generate the figures for the 2017/18 funding statement.

The census figures are lower than the stated academy trust capacity for each school and are reasonable in relation to previous censuses.



No recommendation identified.

6. Expenditure and payroll

6.1 Review of senior leaders salaries

Per AFH:

- The board of trustees must ensure that their decisions about levels of executive pay follow a robust evidence-based process and are reflective of the individual's role and responsibilities.

Findings: 21st February 2018

We have reviewed the Heads of School's salaries with reference to the NASUWT guidelines based on the number of pupils on the latest census.

The guidelines show the academies are Group 2 (BH) and Group 1 (SW and EW) academies, which give a recommended salary range of £46,799 - £63,779 (BH) and £44,544 - £59,264 (SW and EW).

The Heads of School's salaries for 2017/18 have been set at £47,967 (BH) and £43,454 (SW and EW).

These salaries for 2017/18 were reviewed and approved at the committee meeting on 18th September 2018. The Heads of School were not involved in this discussion.



No recommendations identified.

6.2 Review of expenditure

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.

Findings: 21st February 2018

We have traced 2 expenditure items for each component academy to their original source documentation to ensure that they have been correctly analysed within the accounting system. We have also reviewed the authorisation of these items with reference to those shown in the financial procedures manual.

The expenditure invoices have also been traced to the relevant payments showing in the bank accounts to ensure that they were paid on a timely basis.



No recommendations identified.

6.3 Procurement policy

Per AFH:

- The trust's internal control framework must include:
 - Effective planning and oversight of any capital projects.
 - Ensuring efficiency and value for money in the organisation's activities.

Findings: 21st February 2018

We have reviewed the academy trust's procurement policy. No capital contracts have been started in the period, so additional testing has not been performed.



No recommendations identified.

7. Filing and miscellaneous

7.1 Annual accounts

Per AFH:

- Academy trusts must file their annual accounts with Companies House for public access, and provide a copy of the accounts to anyone who requests them.
- Trusts must publish the annual accounts on their website no later than the end of January following the financial year to which the accounts relate.
- Academy trusts must produce audited accounts, and submit these to ESFA by 31st December each year.

Findings: 21st February 2018

The academy trust submitted its audited accounts for the year ended 31st August 2017 to the ESFA on 18th December 2017.

The audited accounts for the year ended 31st August 2017 have been submitted to Companies House, since our visit.

The audited accounts for the year ended 31st August 2017 have been published on the academy trust's website.



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.