



Education
Funding
Agency

Review of financial management and governance

**Wakefield City Academies Trust final
report November 2015**

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Introduction

1. This report sets out the findings arising from the Education Funding Agency (EFA), Risk Analysis Division's (RAD) visit to Wakefield City Academies Trust (WCAT) between 27 and 29 July 2015 and 7 and 11 September 2015.

2. The purpose of our visit was:

- To undertake a financial management and governance review of the Multi-Academy Trust (MAT).
- The review to cover financial management and governance arrangements at the centre and also within the following selected academies:
 - Wakefield City Academy
 - Hemsworth Academy
 - Balby Carr Academy
 - Montagu Academy
 - Bell Lane Primary Academy

Background

3. Wakefield City Academies Trust was established as an academy trust in 2013. The trust currently comprises 15 academies supported by a central team. The trust has grown rapidly over the last few years and as a result of the pace of change has struggled to establish an effective internal control and financial framework. This was evidenced by the number of issues and recommendations included in the 2013/14 financial statements external auditor report. The trust has taken steps in the last nine months to strengthen this area and our review found evidence of improvement and that the trust now has greater control and oversight of the operations of its academies. Further growth is planned in the coming months and a risk for the trust to manage is to ensure that the current level of support and oversight is maintained as the number of academies within the trust grows.

4. The current governance and control framework within the trust includes a Board and sub-Board structure, Local Governing Bodies within each academy and an appropriate scheme of delegation. Financial management has recently been strengthened through the recruitment of two additional central finance directors, one to oversee the primary academies and one to cover the secondary academies. As well as their role in managing the operations of the academies they are also able to offer support to academy finance staff and help to upskill the business managers within the academies.

5. At the time of our visit the central team was operating with a deficit budget. This has been the result of the central team engaging additional resource in advance of the expected further expansion of the trust. The rationale being that once further academies join the trust the additional income will be sufficient to clear the deficit.

6. The trust has historically operated a 5% service charge to cover the costs of the central team and other services, a proposal to increase the charge to 7% is currently awaiting ratification by the Trust Board. The academies visited all expressed satisfaction with the level of service and support provided by the trust and did not consider the cost to the academies to be excessive.

Findings and recommendations

7. The governance structure within the trust comprises the main Trust Board supported by three sub committees the Audit and Risk Committee (A&R); the Finance and General Purposes Committee (FGP); and the Remuneration Committee. In practice the sub committees have not been meeting regularly. At the time of our visit in July 2015 the A&R Committee had not met since 23 June 2014: and although the FGP committee had recently met twice on 11 May and 6 July 2015, prior to these meetings it had not met since 23 June 2014. The role of these committees is to assist the Board in fulfilling its oversight responsibilities for internal controls and financial reporting and for maintaining an appropriate relationship with the trust's external auditors. In particular it is a requirement of the AFH that academy trusts have a separate audit committee or a sub-committee that performs the role of an audit committee. We are aware that a reconstituted audit committee has recently been established and held its first meeting on 14 August 2015.

8. Declarations of interest are required to be completed by the Trust Board, local governing body members and senior staff and should in accordance with the AFH be published on the trust website. We identified instances of out of date or missing declarations at both the centre and across the academies. The trust is currently in the process of obtaining completed declarations for the 15/16 academic year.

9. A review of the Trust Board meeting minutes identified that the Board meets regularly and that business is only conducted when quorate. Minutes however lacked detail and did not record key discussions or decisions e.g. the decision to change external audit provider and to award the contract to [REDACTED].

10. The 2013/14 financial statements audit identified a number of control and compliance weaknesses where the trust needed to strengthen working practices and controls and also a need for greater oversight to ensure compliance across all academies. Our testing at the academies suggested that the trust has been successful over the last few months in working to strengthen controls and support academies to improve levels of compliance

11. The trust now has a strong central financial team in place and the components of a sound internal control framework e.g. establishment of financial regulations, trust level policies and procedures, internal audit function and an audit committee. While we identified a number of minor weaknesses in general we found a good level of financial control and compliance with trust policies and procedures. The trust should encourage the sharing of best practice across the academies. We found examples of good working practices and standard documentation in some academies which would be of benefit to less experienced or established finance functions in other academies.

12. Our testing at the individual academies identified some instances of non-compliance with the trust financial policy in relation to the authorisation of purchase orders and in appropriate segregation of duties in relation to authorisation of credit card

expenditure. The trust should ensure that staff at all academies are consistently and correctly applying all financial procedures, checks and controls as detailed in the financial policy

13. Testing at one academy identified a few minor instances of purchases of gifts for staff and some alcohol, although not significant amounts. This type of purchase leaves the trust open to criticism regarding the proper use of public funds. The trust should ensure that this type of expenditure is strictly controlled and that it has a clear gifts and hospitality policy in place.

14. The trust has yet to move to central procurement of services and therefore in the main academies contract services locally. While we identified instances where services had been tendered to ensure value for money in the main academies had renewed existing LA contracts without considering testing the market to determine whether they offered best value. We appreciate that the procurement of central services may be a longer term goal, however in procuring their support services locally, academies should be required in all cases to follow trust procurement policies and obtain the required quotes or tenders.

15. We also identified two instances of non-compliance with OJEU procurement regulations; one in relation to a central team procurement and one at Wakefield City Academy. In both cases contracts which breached the OJEU limits had been let without following OJEU regulations.

16. Monthly bank reconciliations had not been completed at Wakefield City Academy. Balances had not been checked back to ledgers and cash book although the system recorded that reconciliations had been completed. Bank reconciliations are a key financial control and should be completed monthly and subject to an independent check and approval.

17. We identified inconsistencies in the application of the trust travel and subsistence policy. Payments to staff for travel expenses, rather than follow the trust policy, vary depending on the particular academy payroll provider. In the main academies have retained their pre conversion LA payroll provider. Travel claims are submitted through the payroll and are checked and paid along with salary. In these instances the payroll provider applies the LA travel and subsistence rules rather than those of the trust. In some cases this may be of benefit to the claimant i.e. higher mileage rates, but we also identified an instance where a claim which was compliant with the trust rules was capped by the LA due to being outside of their parameters. While it may be appropriate in TUPE arrangements to apply the previous travel and subsistence terms and conditions this would not be appropriate for new staff joining the trust.

18. Annex B gives details of the individual issues that were identified during our detailed transaction testing.

Conclusion

19. Our conclusion at the time of the visit is that the trust has made good progress over the last few months in establishing a more robust financial and control framework and now needs to build on this to strengthen control in a few areas and to ensure that it fully meets the requirements of the Academies Financial Handbook.

20. The trust also needs to ensure that policies and procedures are operating consistently at academy level and provide additional support and training as required to ensure staff at all academies within the trust are fully aware of and complying with trust financial regulations.

21. The trust is planning to further expand over the coming months and should be mindful that the improvements that have clearly be made during 2015 to strengthen internal control and build financial capacity within academies are not compromised by the central team again being spread too thinly across a growing number of academies.

Next steps

22. Thank you for your Action Plan detailing the actions to be taken by the trust to address the issues and recommendations raised in this report. We will follow up implementation of the actions in six months and will contact you nearer the time to make arrangements.

23. In the meantime we would expect you to share the results of our work with the Board of Directors and for them to oversee the implementation of the actions.

24. We would like to take this opportunity to record our thanks to the staff at the trust and the academies visited for the time, consideration and help afforded to us during the course of the review.

Annex A – terms of reference

Reason for visit / objectives

- To undertake a financial management and governance review of the Multi-Academy Trust.
- The review to cover central trust arrangements and also local arrangements within a sample of academies within the trust.

Key contact

- [REDACTED], Accounting Officer

Scope of review

- To understand how Wakefield City Academies Trust is structured and governed. To include a review of the make-up of the Board of Directors, its sub-committees and senior managers regarding financial management and governance.
- To review compliance with the mandatory elements of the academies financial handbook within the trust and its academies.
- To review budgeting, financial reporting and financial management arrangements.
- To assess how the central function is structured/provides support to academies.
- To understand any charging mechanism and rationale between the Head Office and individual academies.
- To review the register of business interests, declarations, and related party transactions.
- To review services provided to academies and compliance with the 'not-for-profit' principles outlined in the latest Academies Financial Handbook.
- To review trust policies and procedures including purchasing and tendering, travel and subsistence, credit card policy.
- Transaction and compliance testing of a sample of:
 - procurement contracts and purchase orders to confirm adherence to the trust's Standing Orders / Finance Regulations and best-value principles.
 - payments and receipts
 - payroll
 - credit card statement(s) if applicable
 - staff and trustee expenses.

Reporting

- A report will be produced setting out the findings of our review and any recommendations where improvements could be made.

Annex B – recommendations

No	Finding	Recommendations
1.	<p>Trust Board sub committees have not been operating in line with their terms of reference and have not been meeting on a regular basis.</p> <ul style="list-style-type: none"> • Finance and GP Committee – three meetings 24/3/14, 23/6/14 and 11/5/15 • Audit and Risk Committee – three meetings held 24/3/14, 23/6/14 and 14/8/15 	<p>A formal programme of board and sub-board meetings should be put in place to ensure meetings are held in line with terms of reference.</p>
2.	<p>Instances of out of date or missing declarations of interest.</p> <ul style="list-style-type: none"> • Central team – declarations are over 12 months old. The Register of Business Interests is dated May 2013 • Balby Carr, Bell Lane – no declarations in place for 14/15, currently in the process of setting up 15/16 declarations 	<p>Declarations of interest must be completed by directors, senior staff and decision makers at the MAT and local governing boards. These must be updated annually and made available on the trust website.</p>
3.	<p>Board minutes lacked detail and did not record key discussions and decisions e.g. change in auditor firm and decision to award the contract to ██████████.</p>	<p>Board and sub-board minutes should record in all cases details of key discussions, decisions and approvals.</p>
4.	<p>Some instances of non-compliance were identified with the trust financial policy in relation to the authorisation of purchase orders and in appropriate segregation of duties in relation to authorisation of credit card expenditure and petty cash expenditure.</p> <ul style="list-style-type: none"> • Wakefield City Academy – parking fine for expired ticket was paid, guidance says fines will not be paid 	<p>The trust should put in place compliance checks to ensure that staff at all academies are consistently and correctly applying all financial procedures, checks and controls as detailed in the financial policy.</p>

	<ul style="list-style-type: none"> • Balby Carr – site manager is given verbal authority to use card without authorisation during school holidays. No retrospective authorisation of this spend • Trust policy is that petty cash purchases should be pre-authorised by the Budget Holder – no evidence to support that this happens • Balby Carr have a £1,000 petty cash float – trust policy is that float should not exceed £500. Spend does not justify have this amount of float • Hemsworth – instances of expenditure from petty cash in excess of £50 limit • Various items related to DfE trip including camp site fees and food – above £50 limit not appropriate spend from petty cash. No details of number of staff and students purpose of trip etc 	
5.	Testing at one academy identified a few minor instances of purchases of meals for staff and some alcohol, although not significant amounts. This type of purchase leaves the trust open to criticism regarding the proper use of public funds.	The trust should ensure that this type of expenditure is strictly controlled and kept to a minimum. We recommend that the Trust introduces a policy on gifts and hospitality detailing the type and level of expenditure that is allowable.
6.	Hemsworth academy have recently rolled over their grounds maintenance contract with the LA value £30k without going out to local tender.	Academies should be required to follow trust policies and procedures for all procurements and obtained the required tenders or quotes in order to demonstrate that value for money is being obtained.
7.	We identified two instances where procurements above the OJEU threshold had been contracted without following OJEU	The trust should put in place compliance checks to ensure that procurement policies and procedures are followed in all cases.

	<p>regulations. Cleaning contract at Wakefield City Academy, [REDACTED] contract awarded by the central team.</p>	
8.	<p>Bank reconciliations had not been completed at Wakefield City Academy. Balances had not been checked back to ledgers and cash book although the finance officer has recorded on Corero that this has been done (training issue for the finance officer) – reconciliations had not been checked by Finance Manager who assumed that the checks had been done and that the finance officer understood what was expected. Finance Manager is in the process of retrospectively completing these checks and will ensure that future reconciliations are completed correctly.</p>	<p>Independent checks should be undertaken and evidenced to ensure that bank reconciliations are being completed regularly and accurately.</p>
9.	<p>We found inconsistencies in relation to the payment of travel and subsistence expenses. The trust has a policy in place but in practice the rules and policies relating to the payroll provider for the academy are being imposed.</p> <ul style="list-style-type: none"> • Balby Carr – following Rotherham LA T&S rules rather than trust policy. Paying different mileage and meal amounts • Montague following Doncaster T&S rules – different to trust policy. No way of paying trust rates to new staff who have not been TUPD over and are therefore not entitled to the LA rates. • Balby Carr – one instance of meals claimed for one week at a golf tournament – no invoice supplied. Amounts claimed were within trust rules but outside of Rotherham rules – full amount was therefore not paid but payment restricted to Rotherham rates. 	<p>The trust should put in place procedures to ensure that staff are able to claim and be paid the correct travel and subsistence payments in line with the trust policy.</p>



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