



BRADFORD COLLEGE EDUCATION TRUST

Governance: Structure and Reporting

FINAL

Internal Audit Report: 4.15/16

8 August 2016



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Debrief held	8 July 2016	Internal Audit team	Rob Barnett, Head of Internal Audit Amjad Ali, Client Manager Anastasia Morgan, Assistant Manager Evgeni Dimov, Internal Auditor
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		Distribution	Sarah Murray, Head of Finance

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

1 EXECUTIVE SUMMARY

1.1 Background

The Academies Handbook 2015 published by the Education Funding Agency (EFA), sets out basic financial and governance requirements for academy trusts.

Compliance with the terms of the Academy Handbook is a condition of the Trust's funding agreement, and not adhering to the requirements may result in termination of the funding agreement. As such, this review was undertaken to ensure that the governance arrangements in place were robust and adhered to the requirements as set out in the Academies Handbook 2015.

The Bradford College Education Trust (BCET) has been set up with Bradford College as the sponsoring organisation. BCET has undergone a restructure process with one of the three academies closing during the year and as such being removed from the governance structure.

Discussion with management during the review informed us that the Audit and Risk Committee would be merged with the Finance and General Purpose Committee following issues around identifying a sufficient number of available members to support it as a separate committee and changes to the Academies Financial Handbook that allow the merging of these committees due to the size of the Trust.

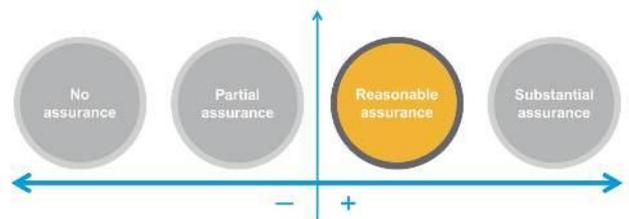
1.2 Conclusion

Our work confirmed that there were adequate controls in place to ensure that Bradford College Education Trust's governance procedures are applied in line with Terms of Reference for the Trust and its Academies. While testing of the Articles of Association indicated non-compliance with regards to the requirement for provision of Board papers 14 days in advance of the meeting, discussions with management and input from the Trust's Solicitor indicated that this was no longer a requirement with papers required to be provided only 7 days in advance. However we have noted findings which have led to two management actions with a medium and a low categorisation. The medium categorised finding related the lack of a formalised action plan for weaknesses identified from the Board Self Evaluation. The low categorised finding related to the lack of Audit and Risk Committee meetings which was not in line with the current organisational structure and Terms of Reference.

Internal Audit Opinion:

Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied.

However, we have identified issues that that need to be addressed in order to ensure that the control framework is effective in managing this area.



1.3 Key findings

We reviewed key controls and considered the system in place for Governance structures and reporting to be well designed. The Board of Directors, Committees and Local Governing Bodies (LGB) had a transparent governance structure where the Trust's Terms of Reference outlined the roles and responsibilities of the members, Directors, the conduct of the Board and relationship with the Committees.

The Academies Handbook 2015, published by the Education Funding Agency, contains a schedule that details the requirements the Trust should have in place with regards to governance and financial oversight.

Through testing we were able to confirm that the Trust operates in compliance with the Academies Handbook 2015. The Terms of Reference documents appropriately reflect the requirements of the Articles of Association and each detailed the role and responsibilities of the Committees and Local Governing Bodies.

The information presented to the Board includes information on finance, human resources, curriculum, and student welfare through the Board of Directors review of sub-committee meeting minutes.

However the following areas of weakness were identified:

- Discussion with the Head of Finance indicated that the last Audit and Risk Committee was held in December 2015 with the meetings being infrequent leading up to then and there being none since. This was due to loss of directors and there being insufficient numbers of directors to effectively run the meeting and quorum it.
- Our review indicated that there was no action plan or schedule put in place following the Self Evaluation to identify and mitigate the weaknesses. Discussion with the Head of Finance also confirmed that there is no formal action plan in place that targets the areas of weakness identified.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Governance Structure and Reporting	0 (8)	2 (8)	1	1	0
Total			1	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Governance Structure and Reporting					
1	The Audit and Risk Committee has not met regularly in 2015/16, in line with the Trust's Committee Planner.	Low	As the terms of the Academies Financial Handbook changed from September 2015 and we no longer need to have a dedicated Audit Committee from September 2016 BCET will have merged its Audit and Risk Committee with the Finance and General Purposes.	19th September 2016	Head of Finance to amend Terms of Reference of F&GP Committee to incorporate Audit and Risk responsibilities and Board to approve on the 19 th September 2016
			As documented in the minutes of the Board meeting on 15 March 2016 the Terms of Reference of F&GP Committee will be amended and approved by the Board in September 2016.		

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
2	Board Self Evaluation is not supported by an action plan for addressing identified weaknesses.	Medium	<p>A full detailed review of Governance across BCET will be conducted by an external organisation who specialise in looking at MAT Governance which was agreed at the Board meeting on 5 July 2016.</p> <p>The previous reviews are now considered to be out of date due to a number of changes in the Directors on the Board over the last year.</p>	1 st September 2016	BCET Director of School Improvement

3 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
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Area: Governance Procedures

1	Reporting is carried out in a timely manner in line with the Trust's Committee Planner.	Yes	No	<p>The Trust's Committee Planner for the Board of Directors, sub-committee and Local Governing Bodies (LGB) meetings during the academic year 2016/17 was approved by the Board of Directors during the audit visit and as such minutes could not be provided as evidence</p> <p>The Head of Finance also stated that the LGB for Samuel Lister Academy is not on the calendar as the Academy is going to be under an Interim Executive Board which would meet more frequently.</p> <p>Review of the current and previous year's calendar and the previous meeting minutes indicated that the Board of Directors and sub-committees as well as the LGB were meeting in a timely and frequent manner, usually quarterly or every 2 months in line with the requirements of the Terms of Reference.</p>	Low	<p>As the terms of the Academies Financial Handbook changed from September 2015 and we no longer need to have a dedicated Audit Committee from September 2016 BCET will merged its Audit and Risk Committee with the Finance and General Purposes.</p> <p>As documented in the minutes of the Board meeting on 15 March 2016 the Terms of Reference of F&GP Committee will be amended and approved by the Board in September 2016.</p>
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				<p>Discussion with the Head of Finance indicated that the last Audit and Risk Committee was held in December 2015 with the meetings leading up to then lacking the required quorate for decision making and there being none since. This was due to loss of directors and there being insufficient numbers of directors to effectively run the meeting and quorum it.</p> <p>We were informed that as of 1st September 2016 the Audit and Risk Committee will merge with the Finance and General Purposes Committee to ensure regular meetings as well as a well-rounded skillset.</p> <p>Without regular meetings taking place there is a risk that Directors are provided with inadequate and out of date information to support decision making. While there is a compensating control in the fact that the Board meetings have been utilised for Audit and Risk Committee information and decisions this still represents a non-compliance with the current organisational structure and increases the workload and demand placed on the Board.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
2	The Trust has undertaken a Board Self Evaluation which was last reviewed in March 2015 with actions taken to mitigate any weaknesses.	Yes	No	<p>The Board Self Evaluation was initially first carried out in 2013/14 where strengths and weaknesses were identified.</p> <p>Discussion with the Head of Finance indicated that the Self Evaluation has been carried out in a paper format since then, with the most recent being in March 2015. This was agreed to notes detailed on the original Self Evaluation report.</p> <p>Our review indicated that there was no further action plan or schedule put in place following the Self Evaluation to identify and mitigate the weaknesses. Discussion with the Head of Finance also confirmed that there is no formal action plan in place that targets the areas of weakness identified.</p> <p>There is a risk that weaknesses and skill gaps within the Board are not addressed resulting in poor or inappropriate decision making.</p>	Medium	<p>A full detailed review of Governance across BCET will be conducted by an external organisation who specialise in looking at MAT Governance which was agreed at the Board meeting on 5 July 2016.</p> <p>The previous reviews are now considered to be out of date due to a number of changes in the Directors on the Board over the last year.</p>

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objective of the area under review

Governance procedures are applied in line with Terms of Reference for the Trust and its Academies.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

This review has focussed on the governance and reporting structure developed by the Trust, including:

- Review of the Trust's Board of Directors, sub-committees and Local Governing Bodies and how they have been mapped to the governance structure and aligned with the Memorandum and Articles of Association and Academies Handbook 2015;
- Clear Terms of Reference (ToR) have been established and approved for the Trust Board of Directors and specific committees;
- Consideration of the relevant Codes of Governance;
- Reporting processes and lines of accountability have been established for each sub-committee and Local Governing Body to ensure the effective escalation and delegation of responsibilities;
- Consideration of the reporting structure and the appropriateness of data reported to the Trust's Board of Directors and sub-committees; and
- How the Trust assessed the effectiveness of its governance arrangements.

Limitations to the scope of the audit assignment:

- We have not reviewed the recruitment of Governors or the promotion of succession planning.
- We have not commented on whether the structure and the skills mix of the Local Governing Bodies are adequate to meet the needs of the Trust.
- We have only reviewed the controls as far as the Local Governing Bodies reporting upwards to the Trust; we will not consider the governance arrangements below the Local Governing Bodies.
- Any testing undertaken as part of this audit will be on a sample basis only.
- We will not seek to verify the accuracy of information provided to Governors.
- In addition, our work does not provide absolute assurance that material error; loss or fraud does not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Head of Finance – Sarah Murray

Documentation reviewed during the audit:

- Articles of Association
- Scheme of Delegation September 2015
- Board of Directors Self Evaluation March 2015
- Terms of Reference and a sample of meeting minutes for the Trust Board, Finance and General Purposes Committee, Audit and Risk Committee and the Local Governing Bodies.
- Minutes of the Board, subcommittees and Local Governing Bodies

FOR FURTHER INFORMATION CONTACT

Rob Barnett, Head of Internal Audit

robert.barnett@rsmuk.com

Tel: 07791 237658

Amjad Ali, Client Manager

Amjad.Ali@rsmuk.com

Tel: 07800 617139

rsmuk.com

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