



Education
Funding
Agency

Financial management and governance review: The CUL Academy Trust

Final report

May 2016

Contents

Executive summary	3
Background	4
Objectives and scope	4
Review and methodology	4
Detailed findings	6
General poor management of financial procedures	6
Staff recruitment policy and procedures	6
Staff recruitment	6
Financial management and governance	7
Conclusion	8

Executive summary

The Education Funding Agency (EFA) received allegations relating to financial management and governance, staff recruitment, and safeguarding at The CUL Academy Trust, Birmingham ('the trust') in July 2015.

The EFA carried out an investigation visit into the allegations and this report sets out the findings from that investigation.

We found a number of issues around safeguarding and informed the Local Authority Designated Officer (LADO) at Birmingham City Council of our findings. Those issues have now been addressed, and we are satisfied that children at CUL Academy are safe. Our report was paused whilst the department worked with the trust on those safeguarding matters.

Our investigation confirmed that there are some areas where financial management and governance arrangements are weak, and this report focuses on those areas.

Our review of financial management and governance found evidence that there were a number of breaches of the Academies Financial Handbook (AFH) and therefore of the funding agreement (FA).

Our review of the staff recruitment policy and procedures found evidence that staff recruitment processes needed to be reviewed as recruitment policies and procedures were not applied consistently.

Background

1. CUL Academy is based in Birmingham and opened as an Alternative Provision Free School on 1 September 2014 for pupils in the age range 11 to 16 years. The academy's General Annual Grant (GAG) funding for the academic year 2015 to 2016 is £523,813 based on 50 planned pupil places. This compares with £399,162 in the 2014 to 2015 academic year for 35 planned pupil places.
2. The EFA wrote to the trust on 25 August 2015 informing the investigation visit to be undertaken on 2 and 3 September 2015.
3. The chair of governors resigned prior to the investigation, an interim chair was appointed and was the point of contact throughout the investigation and to its completion.

Objectives and scope

4. The EFA assessed the adequacy and effectiveness of governance, risk management and financial controls including propriety, regularity, and value for money.
5. The objective was to investigate the allegations received. In summary, these were to review:
 - financial management information: all relevant trust policies and procedures, including the financial procedures manual, bank statements, debit/credit card statements and procurement documentation
 - relevant trust information, including The CUL Academy Trust funding agreement, governing body and relevant committee minutes
 - staff recruitment and complaints information: staff recruitment policy including recruitment and personnel files (where applicable) and staff complaints policy.

Review and methodology

6. In undertaking this investigation the EFA team interviewed the chair of governors, the principal and other appropriate staff.
7. Relevant documentation was collected and recorded.
8. During the investigation the following documents were reviewed whilst on site:
 - governing body and committee minutes
 - relevant trust policies, including Scheme of Delegation, Exclusion Policy, Safeguarding Policy, Staff Recruitment Policy, Staff Expenses Policy
 - financial records and systems.
9. The policies, procedures, control of documents and their recording was tested to gather further information relating to the allegations.

10. A request for clarification regarding financial information was also made to the trust's accountants as the Business Manager was not on site.

Detailed findings

General poor management of financial procedures

11. General poor management of financial procedures leading to potential financial risk.
12. We identified a number of breaches of the Academies Financial Handbook (AFH) and therefore the funding agreement. The budget forecast return has been submitted for the academic year 2015 to 2016 but no evidence was found of approval by the full governing body.
13. The trust currently has no Chief Finance Officer (CFO) which is a breach of the AFH and no evidence could be found of CFO style reports to the governing body.
14. The scheme of delegation is in draft and does not appear to have been signed off by the relevant committee.
15. The Risk Register reviewed was in draft and did not appear to have been ratified by the governing body.
16. The trust did not have a policy for staff travel and subsistence.

Staff recruitment policy and procedures

17. The staff recruitment processes are weak: governors must be involved in recruitment as appropriate, those involved must have safer recruitment training and where there may be conflicts of interest these should be declared and action taken as a result. Our evidence is that there is inconsistency in the use of recruitment policy and procedures across the trust.

Staff recruitment

18. There is evidence that recruitment policies and procedures are not applied consistently. The trust operates a single recruitment policy ('The Safer Recruitment Policy'). The chair of governors explained in interview that the trust wished to incorporate the DBS element and safer recruitment requirements into their overall policy.
19. The appointment of the [REDACTED] was tested against the file and this followed the Safer Recruitment Policy. The file contained all the relevant information from advert, application form, interview assessment, references and offer letter. The references had also been taken up appropriately.
20. The Safer Recruitment Policy states that governors should be involved in appointments for leadership and senior roles "where it is actually practical" and the chair of governors and principal both stated this in interview. However, in interview the

██████████, who is related to the principal, stated that he was only interviewed by the principal and there was no involvement of staff or governors.

Financial management and governance

21. A review of the overall financial management and governance for the trust was undertaken during the visit. The governance arrangements were measured against the mandatory requirements of the AFH. A number of breaches of the AFH were identified and therefore of the funding agreement. The following paragraphs refer to the relevant sections of the AFH, alongside other areas where we identified weaknesses in controls.

22. The annual budget forecast return has been submitted for the academic year 2015 to 2016 but no evidence was found in the minutes reviewed of approval by the Full Governing Body (AFH 2015 Para 2.2.2).

23. Financial reporting for budgets and budget setting advice has been outsourced to a firm of accountants. The principal stated in interview that the outcome for the current year (2014/15) will be an in-year deficit of approximately £20,000. A balanced budget has been set for the academic year 2015 to 2016.

24. The trust has no CFO which is a breach of the AFH and there was no evidence that the CFO reported directly to the board (AFH 2015 Para 2.1.9).

25. The AFH (sections 2.1.10 and 2.1.11) requires trusts to have in place an appropriately qualified or experienced CFO. The current skills and experience are not sufficient to manage the academy's total revenue income in excess of £500,000. The trust lacks the skills and experience to prepare the annual accounts and deal with the financial monitoring reports without the external support from appropriately qualified and experienced finance professionals.

26. Bank reconciliations are undertaken on a bi-weekly basis but these are not always signed off. Interviews with finance staff indicated that payroll is authorised before physical payments are made, but documentary evidence of this approval is not always kept. Further discussions with the principal regarding validating actual payments against what was due, and the associated record keeping of these checks, led to the conclusion that controls relating to payroll needed to be strengthened.

27. The function of the Responsible Officer has been discussed in a number of trust meetings but no action has been taken (AFH 2015 Para 2.3.3).

28. Discussions with the interim chair showed that the trust was familiar with the 'at cost policy' but they have not yet updated their finance manual to reflect this (AFH 2015 Para 3.2.1).

29. The scheme of delegation is currently in draft and does not appear to have been signed off by the relevant committee (AFH 2015 Para 2.1.4).

30. The Risk Register reviewed is in draft and does not appear to have been ratified by the governing body (AFH 2015 2.3.7).
31. There have been no instances of fraud. There is no mention of the requirement to notify the EFA within the trust's finance manual in cases of fraud above the £5,000 limit (AFH 2015 Para 2.2.9).
32. The trust currently does not have a policy for staff travel and subsistence, either in full (as ratified by the trust) or in draft.
33. The finance manual for the trust states that a budget forecast must be submitted to the EFA by the 28 August every year. This date is incorrect as budget submissions must be made to the EFA by the 31 July.
34. Our review of the financial information provided indicated that the academy does not have any cash flow difficulties.

Conclusion

35. Urgent action is required to strengthen governance, financial procedures and management arrangements to ensure trustees fully understand their obligations as company directors and charity trustees.



Education
Funding
Agency

© Crown copyright [2016]

You may re-use this document/publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence v2.0. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

To view this licence:

visit www.nationalarchives.gov.uk/doc/open-government-licence/version/2

email psi@nationalarchives.gsi.gov.uk

About this publication:

enquiries www.education.gov.uk/contactus

download www.gov.uk/government/publications



Follow us on Twitter:
[@educationgovuk](https://twitter.com/educationgovuk)



Like us on Facebook:
facebook.com/educationgovuk