



**Education Funding Agency
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT**

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Email enquiry form:

www.education.gov.uk/help/contactus

Date: 25 April 2104

Mr Rajinder Sandhu
Principal and Accounting Officer
Guru Nanak Sikh Academy Ltd
Springfield Road
Hayes
London UB4 0LT

Dear Mr Sandhu

Financial notice to improve

I am writing to you in your capacity as the Principal and Accounting Officer of Guru Nanak Sikh Academy Ltd ("the Trust").

As you know, we received serious whistle-blowing allegations relating to financial irregularities and governance at the Trust in January 2014. A full Education Funding Agency (EFA) review was launched in January and has now been concluded.

The review identified a range of serious concerns, including loans secured against academy assets; a lack of separation in governance, management and operations between the Trust and its sponsor, Nanaksar Thath Isher Darbar Trust (NTID); evidence of inappropriate transactions between the Trust and NTID; and underlying weaknesses in financial management and governance.

This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust.

The Trust is required, pursuant to the provisions of the Academies Financial Handbook (AFH) and the Funding Agreement, to comply with the terms of this Financial Notice to Improve ("the Notice"). These terms are set out in Annex A and summarised in Annex B.

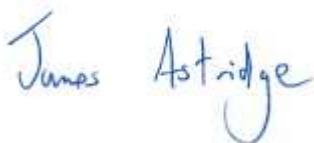
Upon receipt of this Notice, all delegated authorities and freedoms in Part 2 of the current AFH and all relevant sections of revisions to this handbook will be revoked. All transactions by the Trust covered in Section 2, regardless of size, must come to us for approval. These delegated authorities shall be returned to the Trust providing that the conditions set out in the Notice have been complied with and continue to be complied with, to the satisfaction of the Secretary of State.

We will monitor the progress made towards meeting the requirements associated with this Notice. We will lift the Notice when the requirements set out in the annexes have been met. In the event that the Trust fails to meet the requirements of this Notice, to the satisfaction of the Secretary of State, the Trust will be considered to have failed to comply with the terms

of the AFH, which all academies must comply with by virtue of the terms of the Funding Agreement. As a result of this breach of the AFH, and therefore also of the Funding Agreement, the termination processes in the Funding Agreement may be triggered. Depending upon the severity of the breach, this may be considered a material breach of the terms of the Funding Agreement and lead to the termination of the Funding Agreement.

I should be grateful if you would acknowledge receipt of this letter by email within three days of the date of this letter to [REDACTED]. Please send me your formal response to these findings and a complete action plan to meet the requirements associated with this Notice by 23 May 2014.

Yours sincerely

A handwritten signature in blue ink that reads "James Astridge". The signature is written in a cursive style with a large, looped 'J' at the beginning.

James Astridge
Acting Director: Academies and Maintained Schools

cc: Mr Kulvinder Chana, Chair of Governors

Guru Nanak Sikh Academy Trust Ltd

Conditions

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of the significant weaknesses in financial management and governance highlighted within the EFA report of April 2014.
2. The Trust is required to prepare and implement an action plan to address the underlying weaknesses in financial management and governance and the serious findings uncovered in the report that have led to the issue of this Notice.
3. The Trust should supply the EFA with monthly progress reports on the work undertaken and the improvements and outcomes achieved.
4. Please note:
 - a. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the control weaknesses identified;
 - b. The Trust should take all appropriate actions to ensure the agreed action plan is fully implemented; and
 - c. The EFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

Timescales

5. The Trust will need to develop its action plan, setting out a full set of actions to address the weaknesses in its financial management and governance arrangements that have led to the issue of this Notice. The final plan must be submitted to the EFA by 23 May 2014.
6. We will agree milestones and monitoring as part of finalising the plan. We would expect all underpinning systems and processes to be fully operational by September 2014.
7. Full implementation of the plan by the Trust should be complete within a timeframe to allow externally audited 2013/14 audited financial statements to be submitted on time.

Monitoring and progress

8. The Trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress.
9. The Trust should contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in the action plan.
10. Should it become evident that the Trust is unlikely to fulfil the conditions and / or requirements set out in this Notice within the above timescales, the EFA will begin to consider the contractual intervention options available.

Compliance and the end of the Notice period

11. Compliance with this Notice will be demonstrated when all measures set out in the action plan are in place and the EFA is able to validate, by visiting the Trust to conduct testing as appropriate, that the new arrangements are being embedded throughout the Trust.
12. When the Trust meets the conditions outlined in this annex, the Notice will no longer apply and the EFA will write to the Trust again to confirm that the Notice has been lifted.

Specific actions required of the Trustees

The Trustees must ensure that all the issues raised in the EFA's review are addressed.

We recognise the progress that has already been made in responding to the issues. This now needs to be developed into a formal action plan.

The action plan will need to fully address the following issues and itemise the specific actions proposed. The plan must set out how and by when the Trustees will:

- review and strengthen governance arrangements to ensure that governance arrangements are compliant with the principles of the Academies Financial Handbook;
- ensure appropriate separation between the Trust and NTID at governance, managerial and operational levels;
- ensure that the use of bank accounts under the control of NTID for transactions relating to the Trust is discontinued;
- take steps to ensure that all relevant individuals are registered as directors of the Trust and that appropriate Companies House records are filed;
- ensure they are all aware of their responsibilities as directors under the Companies Act and as trustees under Charity Commission guidance;
- ensure that proper arrangements are put in place whereby the governing body is able to independently hold to account the Accounting Officer and other members of the executive management team;
- submit a business justification to the EFA outlining the value for money case for consultancy services procured since conversion to academy status;
- put in place a process for the Trust to adequately monitor the financial risks to its operations; and
- establish an audit committee to reflect the Trust's recent expansion to become a multi-academy trust.

Specific actions required of the Accounting Officer

The action plan will need to fully address the following issues and itemise the specific actions proposed. The plan must set out how and by when the Accounting Officer will:

- recoup from NTID the £192,000 inappropriately paid by the Trust to NTID. If this is not secured, the EFA will consider clawing back an equivalent sum from the Trust;
- recoup from NTID the £9,377.31 paid by the Trust on behalf of NTID. If this is not secured, the EFA will consider clawing back an equivalent sum from the Trust;
- repatriate the circa £2,300 to the Trust's bank account;

- put in place a service level agreement between the Trust and NTID to govern any use of academy facilities, staff or systems by NTID;
- appoint an Interim PFO who is appropriately qualified and/ or skilled;
- make arrangements to recruit a permanent PFO who has the skills and experience needed to undertake this role;
- review the staffing of the finance office and ensure that replacement finance staff are suitably qualified and/or experienced;
- work urgently with NTID to remove the second charge over the school playing fields and grounds;
- work urgently with NTID to remove the charge over the land on which the academy is situated;
- undertake an appropriate course of training in finance and governance; and
- ensure that appropriate procurement arrangements are in place that are fully in line with the principles of the Academies Financial Handbook.