



Education & Skills  
Funding Agency

# **Investigation report:**

**The Olive Tree Primary School Bolton  
Limited**

**November 2019**

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## Glossary

| Title  | Name of individual |
|--|--------------------|
| Chair of the Board   | Abdul Aziz Chohan  |
| Former Accounting Officer (AFH term) /<br>Former Headteacher / Principal   | Farhat Choudry     |
| Current Accounting Officer (AFH term) /<br>Current Headteacher / Principal | Haroon Asghar      |
| Chief Financial Officer (AFH) / School<br>Business Manager                 | Abdul Musa         |

## Executive summary

1. Between December 2018 and March 2019, the ESFA received allegations around conflicts of interest and potential breaches of governance frameworks at the Olive Tree Primary School Bolton Limited. As a result, ESFA undertook a fact finding review between 30 April and 3 June 2019.

2. The review identified significant breaches of the Academies Financial Handbook (AFH) and trust Articles of Association. Key findings include:

- the board of trustees have failed to manage related party transactions (RPTs) and significant conflicts of interests with its own trustees. This includes a lack of challenge and scrutiny over interests of the chair
- the board of trustees have failed to ensure adequate oversight of key additional business areas, through a lack of policies / procedures and robust monitoring. This included the trust paying £911.87 expenses for the chair to attend an Apple event in Chicago, in breach of its Articles of Association
- governance concerns were also identified which breached the AFH, including
  - limited trustee knowledge / awareness, particularly on governance frameworks
  - key gaps in trust policies and procedures set by the board
  - non-compliance with procurement requirements
  - inadequate segregation of financial duties and internal control weaknesses.

## Background

3. The Olive Tree Primary School Bolton Limited (company no 07956473) is a free school for pupils aged 4 to 11 serving a catchment area in Daubhill, Bolton. It has a pupil capacity of 420 and had a roll of 410 per October 2018 census.
4. The Olive Tree Primary School Bolton Limited (the trust) was incorporated on 20 February 2012 and the school opened in September 2013. It has 3 primary layers of governance: the members, the board of trustees and the senior management team.
5. The trust has a subsidiary trading company known as “The Olive Tree Bolton Limited (TOTB Limited)” company number 11376696, which has not engaged in any trading activity since creation.
6. Ofsted visits in July 2015 and April 2017 rated the trust as outstanding.
7. The trust 2017/18 financial statements confirm its annual general annual grant from the ESFA is around £1.6m and it had a cumulative revenue surplus of £922,126 as at the year end. Currently this surplus is forecast to increase by £28,905 by end of August 2019.
8. Between December 2018 and March 2019, the ESFA received allegations around conflicts of interest and potential breaches of governance frameworks. As a result, the ESFA undertook a fact finding review from 30 April to 3 June 2019, which included 3 days onsite at the trust, 1 day of interviews at ESFA offices, discussions with trust auditors and review of significant volume of trust information through correspondence.

## Objectives and scope

9. The objective of this review was to establish whether the concerns received by the ESFA were evidence based and in doing so, identify whether any non-compliance or irregularity had occurred with regard to the use of public funds.

10. The scope of the investigation work included the following areas:

- review of relevant documentation, including governing body minutes and supporting policies
- testing of financial management information, specifically in relation to the allegations received
- interviews with key staff and trustees

11. In accordance with EFA investigation publishing policy (August 2014) the relevant contents of the report have been cleared for factual accuracy with the Olive Tree Primary School Bolton Limited.

# Findings

## Procurement

12. Since September 2017, the trust has been using a catering provider (██████████) sourced by the chair, with spend to date of £53,561. There was no formal documented contract, no evidence of any procurement exercise or management of any potential conflicts. This breaches the trust's own procurement requirements (tendering is required for expenditure over £50,000) and is a breach of the AFH (2017 s3.1 and 2018 s2.4) which states the trust must ensure a competitive tendering policy is in place and applied. It also breaches the AFH around maintaining a sound internal control framework. (AFH 2017 s2.3/4 and 2018 s2.2/9)

13. Between June 2017 and May 2019 the trust has been using 4 consultants to provide educational support (total expenditure of £33,050). 2 of these consultants are also existing trustees and all were originally sourced by, and known, to the chair. There was no evidence of any formal procurement or consideration of compliance with the AFH "at cost" requirement. Of the 4 consultants, 3 did not have any contracts and one had a limited service level agreement with insufficient detail. Additionally, there was no documented formal approval to engage 3 of these 4 connected suppliers by the board. It is acknowledged the July 2018 board minutes state the chair would speak to one of these consultants about a secondary school application with a budget for £20k. However there was no record of any other trustees inputting into this discussion or discussion around procurement or management of conflicts.

Our findings confirm the trust has breached the AFH (2017 s2.3/4, s3.2 and 2018 s2.2/9 and 3.10) relating to transactions with RPTs and "at cost". The findings also identify a breach AFH requirements around managing conflicts of interest, which are detailed in later sections. It is acknowledged that the trust may have needed to move quickly to source urgent support for some of the consultancy work. However, formal board approval and compliance with the AFH are still necessary, along with use of contracts. These findings also identify a breach of the trust's own financial regulations which require a specification and a minimum of 2 quotes for orders / requisitions over £2,501 and a minimum of 3 quotes between £5,001 and £10,000.

14. Review of the trust financial regulations on procurement also identified a gap in the trust financial regulations which specifies use of quotes for orders / requisitions up to £10,000 and requires a formal tendering exercise for expenditure over £50,000. No detail was recorded specifying treatment of expenditure between £10,001 and £49,999. Again this breaches the AFH (2017 s2.3, 2018 s2.2).

## Financial management and governance

15. The trust operates 5 bank accounts. 2 of these could not be accessed by the school business manager / Chief Financial Officer (CFO) meaning the CFO was unable to obtain any information relating to these accounts, when requested to by the ESFA review team. This also meant the CFO was unable to conduct live reconciliations through the finance system, instead reconciling monthly when paper statements arrived. The CFO did have access to the 3 remaining accounts and regularly (daily / weekly) conducted live reconciliations against Quickbooks. Additionally, bank mandates confirmed 2 current signatories who had left the trust and resigned as directors from Companies House on 19 September 2016 and 27 March 2019.

16. Review of trust board minutes for 2017/18 and 2018/19 highlighted no detailed discussions around appropriateness of arrangements for access to bank accounts, including who should be on mandates and when removal was required. This is a breach of the AFH (2017 s1.5, 2018 s1.3) which states trustees must apply the highest standards of governance.

17. The trust currently has one dedicated finance staff member, the CFO, who completes the bulk of all transactional entry onto Quickbooks. The CFO carries out a number of key financial and governance processes at the trust, including bank reconciliations, processing payroll, making payments, reconciling charge cards, overseeing premises / facilities, HR duties and contract management. Given the range of key duties carried out by one staff member, the trust was unable to demonstrate adequate segregation of duties, particularly around key financial controls. This is a breach of the AFH (2017 s2.3, 2018 S2.2) which requires trusts to maintain a sound internal control framework including appropriate segregation of duties.

18. Review of trust documents and interviews with staff and trustees, highlighted the trust does not have a policy or robust procedures on managing conflicts of interest. In addition the trust did not have a register of business interests that covered senior staff. These findings breach the AFH (2017 s3.1 and 2018 s3.10). The trust's register of business interests during 2015/16 and 2016/17 was based on a related party form circulated by the trust auditors for their own purposes. The trust should have a separate register suitable for its own purposes.

Based on interviews with trustees and the findings within this report, trustee skillsets were limited in respect of strategic finance and governance, including governance frameworks. Prior to 2018, the trust board did not have an accountant or anyone with strategic finance or governance experience. However, even after inclusion of an academy accountant on the board, this individual and other trustees, did not challenge the non-compliant process of making payments to trustees for services (along with other findings in this report). This a breach of the AFH 2017 s2.1 and 2018 p8 which state trustees and managers must have the skills, knowledge and experience to run the academy trust. The need for a trustee skills audit, and a collective skills register was also raised during an external trust review in April 2019.

## Board oversight over key functions

19. The trust has a number of additional business areas, including an Apple Regional Training Centre (RTC) and hosting private educational technology (ed tech) events led by the chair. The trust also paid for certain staff / trustees to attend ed tech related courses and presentations during term time. These additional business areas and activities, are managed by trust staff and make limited use of trust staff and resources / premises (indirect costs) where necessary.

20. The RTC does not generate any income but the private ed tech events (at the time of this review) generated income for the trust totalling £13,650. All three additional business areas incurred combined direct costs (e.g. expenses) totalling £13,247.

21. The trust has no formal policies or procedures covering how these business areas should operate, including a formal detailed appraisal of the benefits and costs associated and management of conflicts. Discussion with trustees and review of board minutes also highlighted inadequate board understanding and awareness / oversight around how these business areas were operating. It was also noted that board minutes generally included limited detail around discussions and challenge. These findings are a breach of the AFH 2018 s2.1 that trustees ensure robust oversight of the academy trust and AFH 2018 s1.3 that trustees maintaining the highest standards of governance.

Key areas the board need to formally consider regarding additional areas include (but not limited to):

- relevant requirements of governance frameworks
- legal structures of these business areas
- income and costs and whether the trust had subsidised these areas
- authorisation process for costs related to these additional business areas expenditure
- impact on staff time and classroom education and any recharge for staff time
- management of conflicts including the chairs links to these business areas
- how the board maintains adequate oversight, including any reports
- specific safeguarding requirements, including hosting international visitors, some of whom have extended interactions with pupils

22. Specific areas where the trust has been unable to demonstrate full compliance include:

- the trust paid £901.57 for accommodation for the chair at the Intercontinental Chicago, along with £10.37 travel authorisation fees, on 25 April 2018 to attend an Apple event. The trust articles 6.5 specifically prohibit foreign travel expenses to be paid for trustees. No evidence was available to confirm trustees and the former Accounting Officer (AO) / headteacher were aware of, or had considered this

- restriction, prior to paying foreign travel expenses for the chair. Risks around this transaction were also raised by the trust responsible officer in his May 2018 report
- trust governance frameworks require trust funds to be used for the purposes intended (AFH 2017 and 2018 s4.2). Without robust policies and procedures covering how trust operations, staffing and finances are kept separate, from these additional business areas, it is difficult for the trust to fully demonstrate that trust funds and resources have not indirectly subsidised these areas. Trust staff have been away on ed tech courses and presentations within the UK and abroad during term time. There were no clear business case or rationale approved by the board, confirming how these absences / trips directly related to the running of the trust. The trust received no recharge for this salaried staff time.

## Management of conflicts

23. The trust does not have robust policies and procedures for conflicts of interest, in particular covering the additional business areas. This is a breach of the AFH 2018 s1.3 and 3.10 (2017 s1.5 and s3.1). The trust board and chair have also failed in their duties as trustees and company directors (AFH 2018 s1.3, 2017 s1.5) to manage the following specific conflicts with the chair and certain trustees:

- as part of the trust's additional business areas, the chair organised an event at the trust with attendees from Sweden on 8 March 2018. This event originally generated net income for the trust of £11,730, but the trust actually received £8,700. Upon enquiry from the supplier, the trust CFO was advised that a fee was deducted for the time spent on the event by the chair, totalling £1,980. ESFA review of trust minutes covering March 2018 to 2019 and 2018 declarations to auditors confirmed this payment was never declared by the chair or trustees. The chair stated that trustees had discussed the payment but that discussion had not been minuted. Interviews with trustees did confirm they were in part aware of this payment but they were unable to evidence any robust measures taken to avoid or manage this conflict
- discussion with the chair around the private ed tech events, highlighted some of these visits to the trust were linked to, and potentially benefitted, his private consultancy work, through showcasing ed tech implementation in the trust. This connection has never been formally declared or explored and the trust was unable to demonstrate any management of conflicts or formal consideration of any related risks and compliance with frameworks
- trust minutes in July 2018 record the chair declaring a contract with Apple for 120 days consultancy per annum. Trust minutes record no further detailed challenge or enquiry from the trust board around this declaration. Interviews with trustees highlighted a limited awareness of any detail around this declaration and no trust

documentation was available to provide any further detail. Without obtaining further information around this interest and transaction, and then formally reviewing, the trust is unable to evidence how it assessed any impact on its operations and managing any consequent conflicts. This constitutes a failure of the trust board to adequately oversee trust operations, ensure compliance with frameworks and manage conflicts of interest. The ESFA investigation team discussed the interest further with the chair, highlighting that the chair had in previous years also completed ad hoc work for Apple. However, this had not been formally declared, indicating a lack of consistency around disclosure. The ongoing nature of the relationship between the chair and Apple was also highlighted in a trust April 2019 external review of governance, which recommended a standing declaration be made until the connection ended.

- on the 23 January 2019, the trust chair presented at the BETT show (an educational technology industry show) on behalf of a company called [REDACTED], a supplier to the trust of Apple products. The chair confirmed he was not paid separately but it was included as part of his 120 day consultancy with Apple. No declaration was made regarding the presentation and the trust was unable to evidence any management of this conflict. To date, the trust has spent £121,289 with [REDACTED].
- in January 2017 the trust recruited an individual in the post of curriculum design lead for a 12 month fixed term contract. At this time discussions were taking place between the chair's and this individual's family regarding marriage and they later married in December 2017. The chair had also worked with this individual previously. No formal declaration was made by the chair of his connection. Interviews with trustees highlighted some were aware of the connection with the chair at the time but again no formal declarations or concerns were recorded. Furthermore, the appointment was made without going through a formal competitive recruitment process and the trust was unable to provide any formal signed contract for this position.

The trust does not have its own separate register of business interests but annually the auditors circulate a questionnaire asking for trustee interests as part of their annual audit work. The summer 2017 declarations captured by the auditors show the chair did not disclose any connection to the individual recruited as curriculum design lead. Additionally, the summer 2018 declarations captured by the auditors again show no disclosure by the chair around the connection to this individual. The trust 2017/18 financial statements signed by the chair, former AO / headteacher and approved by the board show the January 2017 appointment of this individual was for the role of "IT Lead Co-ordinator" and state the former AO / headteacher led the recruitment. However there are no concerns recorded regarding conflicts of interest.

Review of trust board minutes at the time of the recruitment show no oversight from the board or former AO / headteacher around this recruitment, or documented decisions around how they ensured this conflict was managed. This represents a failure of the chair, trust board and former AO / headteacher to ensure conflicts of interest were avoided or fully managed.

- the trust has bought services since 2018 from 4 consultants, two of whom are also trustees. All were sourced by the chair who knew them previously and there was no evidence of procurement.
- To date the payments made are:
  - [REDACTED] (trustee [REDACTED]) paid for 5 days work totalling £1,250 (November 2018 at £250 per day),
  - [REDACTED] (trustee) [REDACTED] paid £14,175 from January 2019 to May 2019, at £350 per day,
  - [REDACTED] paid £4,500 between June 2017 to December 2018,
  - [REDACTED] paid £13,125 between February 2019 to May 2019, at £350 per day.

None of these services has a substantive SLA or contract and there was no documented agreement by the board as to their specific work or payment arrangements. There was no evidence of compliance with the “at cost” policy (per the AFH) and invoices provided were often brief and did not clearly identify the work performed. [REDACTED] did declare his interest in board minutes but generally there was a lack of discussion within board minutes to demonstrate how the board had managed this conflict. In particular, that 2 of these consultants were existing trustees prior to them getting paid (through consultancy), and all were known to the chair previously.

24. The trust 2017/18 auditor’s management letter also raised a high priority issue around disclosures of interests, management of conflicts, and lack of robust procedures. Discussions with trustees highlighted limited awareness of how the trust was responding to these issues raised by the auditors. This is a breach of the AFH 2018 s2.1, trustees must maintain robust oversight of the academy trust.

## Conclusion

25. Following receipt of allegations relating to financial management and governance issues at the Olive Tree Primary School Bolton Limited a fact finding visit was undertaken by the ESFA to review trust arrangements. Our work on site and the evidence considered and documented has upheld those concerns, identifying a number of significant weaknesses within the trust's internal control and governance arrangements. Our findings highlight a number of areas requiring immediate action, including:

- procurement and contracting arrangements
- financial management arrangements, including segregation
- management of conflicts of interest
- related party transactions, including compliance with the "at cost" requirement

26. Findings confirm the trust is in breach of its Scheme of Delegation, their Articles of Association and the AFH. The issues raised also lead to potential breaches of the Companies Act 2006 including director duties.

27. The trust needs to take urgent action to resolve the issues, including greater consideration given to the robustness of financial management and governance arrangements by the board. Annex A includes a table of findings, breaches of frameworks and specific recommendations for the trust.

## Annex A

| Para               | Finding  | Breach of AFH/ framework   | Recommendation   |
|--------------------|--|--|--|
| <b>Procurement</b> |  |  |  |
| 12                 | <p>The trust has been using a catering provider (██████████), with spend to date of £53,561.</p> <p>No formal documented contract, no evidence of a formal procurement exercise or management of any potential conflicts.</p>  | <p>This is a breach of the AFH which states the trust must ensure a competitive tendering policy is in place and applied.</p> <p>It also breaches the AFH around maintaining a sound internal control framework.</p> <p>(AFH 2017 s2.3/4, s3.1 and 2018 s2.2/4 and 2.9)</p> <p>It is also a breach of the trust's own financial regulations which require formal tendering for goods / services over £50,000</p> | <p>The trust must ensure a comprehensive and robust competitive tendering policy is approved by the board and applied. This policy must include all relevant requirements within key governance frameworks e.g. AFH.</p> <p>Compliance should be checked at regular intervals by the responsible officer.</p>                                      |
| 13                 | <p>The trust has been using four consultants to provide educational support. Two of these consultants are also existing trustees and all were originally sourced by, and known to the chair.</p> <p>There was no evidence of any formal procurement or consideration / compliance with the "At Cost" policy. Use of contracts was inadequate</p> | <p>This is a breach of the AFH which states an academy trust must establish a robust control framework.</p> <p>This is a breach of the AFH which states that the trust must ensure a competitive tendering policy is in place and applied.</p> <p>This is a breach of the AFH on transactions with related parties (RPTs) and at cost.</p> <p>AFH 2017 s2.3/.4 along with s3.2 (AFH 2018 s2.2, 2.9 and 3.10)</p> | <p>The trust must ensure a comprehensive and robust competitive tendering policy is approved by the board and applied. This should include process for board approvals.</p> <p>The trust must ensure its policies and procedures mandate use of contracts.</p> <p>Compliance should be checked at regular intervals by the responsible officer</p> |

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|  | No documented approval to engage these connected suppliers by the board.   |  |   |
| 14   | Review of the trust financial regulations on procurement also identified a gap in the trust financial regulations which specifies use of quotes for orders / requisitions up to £10,000 and requires a formal tendering exercise for expenditure over £50,000. No detail was recorded specifying treatment of expenditure between £10,001 and £49,999. | This is a breach of the AFH which states the trust must ensure a competitive tendering policy is in place<br>It also breaches the AFH around maintaining a sound internal control framework.<br>AFH (2017 s2.2/3, 2018 s2.2/9) | The trust must ensure a comprehensive and robust competitive tendering policy is approved by the board and applied. This policy must include all relevant requirements within key governance frameworks e.g. AFH  |
| <b>Financial management and governance</b> |  |  |   |
| 15/16                                      | Inconsistent method of reconciling bank accounts.<br>Bank signatories not updated.<br>No detailed discussions around appropriateness of arrangements for access to bank accounts i.e. who should be on mandates and who needs to be removed.   | This is a breach of the AFH which states trustees must apply the highest standards of governance.<br>AFH (2017 s1.5, 2018 s1.3)  | The trust must ensure procedures / regulations for key financial reconciliations are updated to ensure consistency.<br>The trust must revise its procedures / regulations to ensure review of banking access arrangements is conducted regularly by the board.<br>Compliance should be checked at regular intervals by the responsible officer. |

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| 17 | <p>There is a range of key duties carried out by one staff member, the CFO. It was unclear how the trust could ensure adequate segregation, particularly around key financial controls.</p>   | <p>This is a breach of the AFH which requires trusts to maintain a sound internal control framework including appropriate segregation of duties.<br/>AFH (2017 s2.3, 2018 S2.2)</p>   | <p>The trust must review segregation of duties and revise its arrangements to ensure adequacy around segregation.<br/>Trustees must ensure they obtain adequate training to fully understand risks in this area.</p>   |
| 18 | <p>The trust does not have a policy and robust procedures on managing conflicts of interest or a register of business interests that covered senior staff.</p>  | <p>These findings breach the AFH which state that academy trust's register of interests must capture relevant business and pecuniary interests of members, trustees, local governors of academies within a MAT and senior employees.<br/>AFH (2017 s3.1 and 2018 s3.10)</p> | <p>The trust must conduct a review of all key areas of operation to determine any gaps in policies and procedures.<br/>Any identified gaps must have robust policies and procedures completed, including around dealing with interests, and a suitable register.<br/>Trustees must also obtain training to ensure they have the skills and knowledge necessary to fulfil their responsibilities per the AFH.</p> |
| 18 | <p>Prior to 2018, the trust board did not have an accountant or anyone with strategic finance / governance experience.<br/>Even after inclusion of an academy accountant on the board, this individual and other trustees, did not challenge the non-compliant process of making payments to trustees for services.</p> | <p>This a breach of the AFH 2018 s2.1 which states trustees and managers must have the skills, knowledge and experience to run the academy trust.</p>   | <p>The trust must conduct a skills audit and ensure any gaps are filled. This includes ensuring adequate senior financial expertise on the board.</p>  |

## Board oversight over key functions

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| 19-21 | <p>The trust has a number of additional business areas including an Apple Regional Training Centre, hosting private educational technology (ed tech). These are managed by employed trust staff and make limited use of trust staff/resources and premises (indirect costs) where necessary.</p> <p>The trust has no formal policies or procedures covering how business areas should operate including a formal detailed appraisal of the benefits and costs associated and management of conflicts.</p> <p>The review of minutes highlighted inadequate board understanding and awareness (and hence oversight) around how these business areas were operating.</p> <p>Trust board minutes reviewed since 2016 evidenced limited detail around discussions, challenge and decision making.</p> | <p>This is a breach of the AFH 2018 s2.1, that trustees must maintain robust oversight of the academy trust.</p> <p>This is a breach of AFH 2018 s1.3.3 which states that trustees must apply the highest standards of governance and take full ownership of their duties.</p> | <p>Trustees must ensure they have robust oversight over the trust.</p> <p>As part of the trust reviewing of all key areas of operation to determine any gaps in policies and procedures, it must specifically review the additional business areas including the RTC</p> <p>Any identified gaps within these additional business areas must have robust policies and procedures completed and must also include as a minimum</p> <ul style="list-style-type: none"><li>- relevant requirements of governance frameworks,</li><li>- legal structures of these business areas,</li><li>- income and costs and whether the trust had subsidised these areas,</li><li>- authorisation process for costs related to these additional business areas expenditure,</li><li>- impact on staff time and classroom education and any recharge for staff time,</li><li>- management of conflicts including the chairs links to these business areas,</li></ul> |
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|  |  |  | <ul style="list-style-type: none"><li>- how the board maintains adequate oversight, including any reports,</li><li>- specific detailed safeguarding requirements, including hosting international visitors, some of whom have extended interactions with pupils.</li></ul> <p>Policies and procedures must also capture any issues raised within this report.</p> <p>The trust board must also ensure it has robust oversight over these additional business area, through use of regular detailed reports and formal trustee monitoring and challenge.</p> <p>Compliance and performance in this areas should be checked regularly by the responsible officer.</p> <p>Trustees must ensure they have robust oversight over the trust. This oversight must be formally recorded in sufficient detail within board minutes.</p> <p>Trustees must also obtain training to ensure they have the skills and knowledge necessary to fulfil their responsibilities per the AFH.</p> |
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| 22                             | No evidence was available to confirm trustees and the former AO / headteacher were aware of, or had considered the restriction of foreign travel prior to paying foreign travel expenses for the chair.   | The trust is unable to demonstrate full compliance with its own articles (6.5) which specifically prohibits foreign travel expenses to be paid for trustees. This is also non compliant with the AFH 2017 s3.1 re payments to trustees only permitted by articles | Trustees must obtain training to ensure they have the skills and knowledge necessary to fulfil their responsibilities per the AFH.   |
| 22                             | Without robust policies and procedures covering how trust operations, staffing and finances are kept separate from these additional business areas, it is difficult for the trust to fully demonstrate that trust funds and resources have not indirectly subsidised these areas. | The trust is unable to demonstrate full compliance with the AFH which states trustees must ensure regularity and propriety in use of trust funds AFH 2018 s1.3 and 3.10 (2017 s1.5 and s3.1)  | Trustees must ensure they have robust oversight over the trust. As part of the trust reviewing of all key areas of operation to determine any gaps in policies and procedures, it must specifically review the additional business areas including the RTC and ensure there is clear separation (e.g. financial / operational / staff time / resources) between the trust and these additional business areas. Where separation is not possible, the trust board must have considered the implications in advance via a detailed business case, to ensure it is not to the detriment of the trust. |
| <b>Management of conflicts</b> |   |   |  |
| 23                             | The trust does not have robust policies and procedures covering conflicts of interest, in particular  | AFH 2018 s1.3.3 The trustees must apply the highest standards of governance and take full ownership of  | The trust must conduct a review of all key areas of operation to   |

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|           | <p>covering the additional business areas.</p> <p>The trust board, chair and former AO / headteacher have failed in their duties to ensure the following conflicts were managed;</p>   | <p>their duties. They must comply with the trust's charitable objects, with company and charity law, and with their funding agreement. The duties of company directors are described in sections 170 to 181 of the Companies Act 2006 but in summary are to,</p>  | <p>determine any gaps in policies and procedures.</p> <p>Any identified gaps must have robust policies and procedures completed, including around dealing with interests, and a suitable register.</p>   |
|           | <p>A fee of £1,980 was charged by the chair in March 2018. Per trust minutes covering March 2018 to 2019 and per 2018 declarations to auditors, this payment was never declared by the chair, trustees or former AO / headteacher.</p>   | <ul style="list-style-type: none"> <li>- act within their powers,</li> <li>- promote the success of the company</li> <li>- exercise independent judgement</li> <li>- exercise reasonable care, skill and diligence</li> <li>- avoid conflicts of interest</li> </ul>  | <p>Trustees must also obtain training to ensure they have the skills and knowledge necessary to fulfil their responsibilities per the AFH. This includes specific training on</p>  |
|           | <p>Private ed tech events were directly linked to, and potentially benefitting, the chairs private consultancy work. This connection has never been formally declared /explored and the trust was unable to demonstrate any management of conflicts or formal consideration of any related risks / compliance with frameworks.</p> | <ul style="list-style-type: none"> <li>- not to accept benefits from third parties</li> <li>- declare interest in proposed transactions or arrangements</li> <li>- AFH 2018 s3.10 Academy trusts must be even-handed in their relationships with related parties</li> </ul> <p>AFH 2018 s3.10 The board of trustees must ensure requirements for managing related party transactions are applied across the trust. The chair of the board and the accounting officer must ensure their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and</p> | <ul style="list-style-type: none"> <li>- Nolan principles,</li> <li>- the AFH, funding agreement, Governance handbook, Trust articles and memorandum,</li> <li>- Companies Act director duties,</li> <li>- Charity Commission requirements / guidance for trustees.</li> </ul> |
| <p>23</p> | <p>Trust minutes in July 2018 record the chair declaring a contract with Apple for 120 days consultancy per annum. Trust minutes record no further detailed challenge or enquiry from the trust board around this declaration.</p>   | <p>AFH 2018 s3.10 The board of trustees must ensure requirements for managing related party transactions are applied across the trust. The chair of the board and the accounting officer must ensure their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and</p>   | <p>The trust must also ensure its procedures are updated to confirm usage of employment contracts and contracts for goods / services.</p> <p>Compliance and performance in this areas should be checked regularly by the responsible officer.</p>                              |

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| 23 | <p>The trust chair presented at the BETT show (an educational technology industry show) on behalf of a company called [REDACTED], a supplier to the school of Apple products. No declaration was made regarding the presentation and the trust was unable to evidence any management of this conflict.</p>  | <p>perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.</p> <p>AFH 2018 s3.10 Ensure the chair of the board and the accounting officer manage their relationships with related parties to avoid real and perceived conflicts of interest.</p> <p>AFH 2018 s3.10 The academy trust's register of interests must capture relevant business and pecuniary interests of members, trustees, local governors of academies within a MAT and senior employees.</p> |  |
| 23 | <p>In January 2017 the trust recruited an individual in the post of curriculum design lead for a 12 month fixed term contract. At this time discussions were taking place between the chair's and this individual's family regarding marriage and they later married in December 2017. The chair had also worked with this individual previously. No formal declaration was made by the chair around this connection. Furthermore, the appointment by the former Accounting Officer was made without going through a formal competitive recruitment process and the trust was unable to provide any formal signed contract for this position.</p> | <p>AFH 2018 s1.5.4 The role of accounting officer includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to ESFA's accounting officer, for the financial resources under the trust's control. Accounting officers must be able to assure Parliament, and the public, of high standards of probity in the management of public funds.</p> <p>AFH breaches here apply to 2018 version and previous versions.</p> <p>Charity Commission document CC3;</p>              |  |

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| 23 | <p>The trust has procured services since 2018 from 4 consultants, 2 of whom are also trustees. None of these services has a substantive SLA or contract, there was no evidence of compliance with the at cost policy and invoices provided were often brief and did not identify clearly the work performed.</p> | <p>You can only comply with your duty to act in the charity's best interests if you prevent your personal interests from conflicting (or appearing to conflict) with the best interests of the charity. This means recognising and dealing with conflicts of interest.</p> <p>Even when you receive no financial benefit, you could have a conflict of loyalty. For example if your charity has business dealings with your employer, a friend, family member, or another body (such as a local authority or charity, or a charity's trading subsidiary) that you serve on.</p> <p>This means you and your co-trustees:</p> <ul style="list-style-type: none"><li>should identify, and must declare conflicts of interest (or loyalty)</li><li>must prevent the conflict of interest (or loyalty) from affecting the decision</li><li>should record the conflict of interest (or loyalty) and how it was dealt with</li></ul> |  |
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| 24 | <p>The trust 2017/18 auditor's management letter also raised a high priority issue around disclosures of interests, management of conflicts, and lack of robust procedures. Discussions with trustees highlighted limited awareness of how the trust was responding to these issues raised by the auditors.</p> | <p>This is a breach of the AFH 2018 s2.1, trustees must maintain robust oversight of the academy trust.</p> | <p>The trust board must ensure it has robust oversight over key business area, through use of regular detailed reports and formal trustee monitoring and challenge.</p> <p>Trustees must also obtain training to ensure they have the skills and knowledge necessary to fulfil their responsibilities per the AFH. This includes specific training on trust audit and assurance requirements.</p> |
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