



Education & Skills
Funding Agency

Investigation report:

Washwood Heath Multi Academy Trust

November 2020

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Glossary

Title	Name of individual
Chair of trustees	Pete Anstey
Accounting officer /chief executive officer	Bev Mabey
Chief financial officer	Mark Philips
Head of trust finance	Dave Worledge
Estates director	Delroy Bramwell
Estates manager	David Mabey
Company secretary	Angela Sutheran

Executive summary

1. The ESFA received a series of allegations, between July 2018 and July 2019, in relation to Washwood Heath Multi Academy Trust, (hereafter referred to as the trust), raising concerns about financial management and governance. As a result, ESFA commissioned a fact finding visit to review the allegations. Whilst onsite this was escalated to an investigation.

2. The ESFA investigation identified a number of failings and weaknesses in financial management and governance arrangements that breach the Academies Financial Handbook (AFH) 2019 and the accounts direction. Key findings of the investigation have confirmed:

- the trust's related party transaction with **Mindful Healthcare Ltd** is not compliant with the AFH (paragraphs 9 to 11 refer)
- **governance arrangements** - there is a lack of independence between the board, senior leaders, and the finance / audit committee. In addition, the audit committee are not operating in line with AFH requirements (paragraph 12 to 17 refer)
- **external and internal audit** - audit findings have not been given appropriate priority to address, and internal scrutiny through independent checking is not fully embedded at the trust (paragraphs 18 to 22 refer)
- weak **procurement** controls were observed through sample testing and there are concerns over irregular quotes and related party transactions not being provided at cost. Also, inconsistent adherence by staff to policy, to demonstrate value for money considerations, compliance with delegated limits and probity in spending public funds (paragraphs 23 to 34 refer)
- some of the items paid for using the trust's **procurement cards** do not have an adequate audit trail or demonstrate compliance with the charge card policy. We also identified expenditure for gifts and other questionable items (paragraphs 35 to 43 refer)
- the trust does not have a robust and current procedure in place in respect of **expense claims**. Claims made are not on all occasions supported by adequate receipts, authorised appropriately or easily justified (paragraphs 44 to 49 refer)

Background

3. Washwood Heath Multi Academy Trust (WHMAT) comprises of 7 academies (1 all-through, 2 secondary and 4 primary). At the time of writing the report, the latest Ofsted ratings are 4 academies are rated as good, 2 require improvements and 1 is yet to receive an inspection post conversion. The trust also belongs to a partnership of schools that together form the East Birmingham Network (EBN). The network founded two alternative provision free schools.

4. The trust's 2018/19 financial statements confirm the academy's annual revenue income was £31,459,000, of which GAG represents £26,204,000. The trust also received £3,845,000 in other ESFA grants. This resulted in a cumulative surplus of £2,346,000 and an in-year surplus of £157,000. The trust's auditors have issued an unqualified report to the accounts, with an emphasis of matter for the following areas:

- insufficient evidence to show that the trust is following procurement policies in respect of obtaining and approving tenders for certain capital work; and
- with regard to one procurement tender there was an irregularity in respect of the tender documentation

5. ESFA received a series of allegations in relation to Washwood Heath Multi Academy Trust between July 2018 and July 2019, some of which were resolved through academies and maintained schools (AMSD) casework. The allegations centred around governance and procurement practices. As a result, an ESFA team undertook a fact-finding visit and review of the allegations between 13 and 15 January 2020.

Objectives and scope

6. 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. Specifically, the concerns related to:

- governance arrangements
- related party concerns
- breaching finance policies and procedures
- expenses

7. The scope of the work conducted by the ESFA in relation to the concerns, included assessing the adequacy and effectiveness of governance, risk management and control, including propriety, regularity, and value for money. In particular, this included:

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

8. In accordance with EFA investigation publishing policy (August 2014) the relevant contents of the report have been cleared for factual accuracy with Washwood Heath Multi Academy Trust

Findings

Mindful Healthcare Ltd

9. Allegations were received that the chief executive officer (CEO) is a director of a related party, Mindful Healthcare Ltd (Mindful). It was further alleged that the daughter of the CEO and other trust officers are employed at Mindful. Prior to our visit we were informed that the ESFA related party transactions (RPT) compliance team had raised concerns over how the services were procured and that the request for approval of the RPT with Mindful demonstrated non-compliance with the AFH. ESFA RPT compliance team findings were:

- they questioned how 'unique' the service is
- the trust did not demonstrate that they had carried out a procurement exercise, leading up to appointing the supplier
- prior to contracting at cost was not considered
- the trust had no discussion over the appointment at board level, other than the agreement being signed off by the chair without full consideration by other trustees
- the CEO was involved in the decision to appoint

In addition, the current investigation identified that:

- from Companies House information the CEO is not and has never been listed as a director of Mindful Healthcare Ltd. The Mindful website, when the services were procured, listed her as an adviser, however the website no longer shows her as an adviser.
- the CEO's daughter is a delivery practitioner at Mindful and is a shareholder (5%), she is not a trust employee
- the trust's deputy CEO was also listed as an advisor on the Mindful website when the services were procured, however this is no longer the case
- the CEO has declared on her business interests form that she is a director at Mindful

10. These findings represent several breaches of the AFH, and we understand that a non-compliance notice will be issued to the trust by the ESFA RPT team in respect of the issues highlighted by them. The AFH 2019 breaches being, of 5.37, which states that the board of trustees must ensure requirements for managing related party transactions are applied across the trust. The board chair 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 real and perceived conflict of interest, promoting integrity and openness in accordance with the 7 principles of public life.

11. Also, of 5.38, which states that trusts must recognise that some relationships with related parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the board chair and accounting officer
- payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors

Also, of 5.35, which states that payments provided to the persons referred to in section 5.48 satisfy the 'at cost' requirements in this handbook. The trust have since stated that no payments have been made to Mindful, however they have not provided any evidence to support this and the fact that a contractual relationship was entered into still stands.

Governance arrangements and structure

12. Allegations were made that the chair of trustees is also the chair of the finance/audit committee. From October 2018 the trust has operated a separate finance and audit committee. Prior to this there was a finance, audit, and general-purpose strategic group (FAGPS), which continued to meet post October 2018 as a finance committee but did not then fulfil the audit committee role. The chair for this group was the chair of trustees.

13. We reviewed the minutes for the board, FAGPS/ finance, and audit committees, for 2017/18, 2018/19 and 2019/20 and noted that the audit committee have met four times. With the first meeting being held on 18 October 2018. We identified a number of breaches of the AFH in respect of:

14. There is a lack of independence between the board, senior leadership, and the finance/audit committee, as demonstrated by its membership:

- the chair of trustees attended one of the four FAGPS committee meetings that had been held at the time of our review and was listed in the minutes for this meeting as a trustee in attendance, when this was fulfilling the role of audit committee; he continues to chair the finance committee
- the CEO is listed as a trustee during FAGPS meetings which also would have been at that time, the audit committee, she continues to be a member of this committee

This represents breaches of 3.9, which states that employees of the trust should not be audit committee members, but the accounting officer and chief financial officer should attend to provide information and participate in discussions. Of 3.10, which states that the chair of trustees should not be chair of the audit committee.

15. The financial statements were presented to the 29 November 2018 audit committee, although this was noted in the committee feedback at the 6 December 2018 board meeting, board approval was not minuted. The Academies Accounts Direction

(AAD) which states at 1.6.7, that the board of trustees should agree with their auditor an accounts preparation and audit timetable that enables achievement of the deadline. 1.6.8, states that the timetable should incorporate the date of the trustees' meeting at which the accounts will be approved and signed. The trust have since provided draft AGM minutes from a meeting held on 6 December 2018, showing that the financial statements were approved, however, we have not seen any evidence that this meeting constitutes a full board meeting.

16. The finance committee approved the budget for board approval on 14 May 2019, however it was not initially apparent that board approval had been minuted. The trust has since submitted bard minutes dated 11 July 2019, where agenda item 5 confirms the budget was approved by the board. The board also approved the previous year's budget on 18 September 2018; however, the trust missed the deadline for submission and trustees were informed of this during the meeting.

17. Concerns around procurement controls had been raised by external audit and as far back as October 2017 but other than a discussion in the November 2017 FAGPS meeting being minuted, there is nothing further being recorded in the minutes in terms of addressing these issues. The minutes do not therefore demonstrate that appropriate independent assurances are being provided by the FAGPS/audit committee to the board of trustees. The relevant breaches in relation to this are, 3.1, which states that all academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and other controls, and risk management procedures, are operating effectively.

Of 3.2, which states that internal scrutiny must focus on:

- evaluating the suitability of, and level of compliance with, financial and other controls. This includes assessing whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed
- offering advice and insight to the board on how to address weaknesses in financial and other controls, acting as a catalyst for improvement, but without diluting management's responsibility for day to day running of the trust
- ensuring all categories of risk are being adequately identified, reported, and managed

Also, of 3.3, which states that the trust must identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.

External and internal audit

18. Allegations were made in respect of the trust not adequately addressing and failing to have plans in place to implement findings, recommendations, and/or actions

arising from external and internal audit reviews. In addition, that the internal audit function has not been formalised and consequently, very limited independent checks have been completed. We were informed that only one recent internal audit review had been completed, that this was undertaken mid-2019 and there had been no others, or any alternative internal scrutiny checks completed for a number of years prior to this. Also, there is no agreed programme of work for future reviews by internal audit, should the trust continue with this arrangement for delivering internal scrutiny.

19. The management letter for 2018/19 originally submitted to ESFA was not a complete version but contains a high number of observations and recommendations, with no full review of prior year implementation, where there was also a high number of review points. This was pointed out to the CEO during feedback, where it was highlighted to her that this was likely to attract further ESFA scrutiny. We understand that the final management letter has now been received by ESFA. The AAD states at 1.6.2, that the following documents must be submitted to ESFA four months after the accounting period end, by 31 December 2019 for most academy trusts:

- a copy of the audited accounts, including the reporting accountant's report on regularity
- a copy of the audit findings report presented to those charged with governance – this should usually contain:
 - the auditor's approach to the audit
 - the areas covered by the audit
 - the auditor's findings, including any significant concerns, if arising, including ratings of the importance/risk, e.g. high/medium/low
 - audit recommendations for the period
 - the academy trust's response to the auditor's recommendations including timescale for action
 - the status of any audit recommendations from the previous year
- an accounts submission cover (on-line form)

20. As the above review of the minutes show, the trust have been alerted about concerns in relation to key control areas, whether via ESFA or through reviewing papers at meetings, yet there is very little evidence of any action being taken to address these points. Therefore, in addition to the breaches highlighted in our review of the minutes, this represents a breach of the AFH at 3.4, which states that internal scrutiny should take account of output from other assurance procedures to inform the programme of work. For example, it should have regard to recommendations from the trust's external auditors as described in their management letter, and from relevant reviews undertaken by ESFA.

21. Also, of 3.5, in respect of independence in internal scrutiny. Which states that this must be achieved by establishing appropriate reporting lines whereby those carrying out

checks report directly to a committee of the board, which in turn provides assurance to the trustees.

22. Also, of 3.12, which states that the audit committee must:

- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year
- agree who will perform the work
- consider progress in addressing recommendations
- consider output from other assurance activities by third parties including ESFA financial management and governance reviews, funding audits and investigations
- have access to the external auditor as well as those carrying out internal scrutiny, and consider their quality

Procurement

23. Allegations were made that the trust does not follow their documented procurement controls to ensure spending has been for the purpose intended and there is probity in the use of public funds. It was further alleged procurement practices are not in line with the trust's scheme of delegation and may include instances of bypassing controls, conflicts of interest, collusion, and the receipt of inducements.

24. The trust provided us with their latest financial regulations, dated September 2019 and incorporating their financial scheme of delegation. Also, their current procurement policy, dated September 2019, which sets out the procurement processes to be adopted. Previous copies of these documents were also provided. The trust provided us with a list of spend by supplier for the last three years, extracted from their purchase ledger. We combined the expenditure report provided, representing expenditure incurred from 2017/18 to 2019/20 and selected a sample of transactions to test compliance with the financial scheme of delegation as documented in the financial regulations and the procurement policy. The regulations and policy set out the following limits and thresholds when ordering goods or services:

- WHMAT approved preferred supplier Under £5,000
- At least 2 quotes from preferred suppliers £5,000 to £10,000
- At least 3 written quotes £10,000 to £40,000
- Tendering procedure £40,000 +

When purchasing equipment where the unit cost is relatively low (less than £10k per unit) but the total cost of the equipment order is above £40k, the procurement route for 40k + should still be followed

For contracts, these require the following sign off:

- Board of Trustees £100,000 +

- Finance Committee* Up to £100,000
- Chief Executive Officer (CEO) Up to £40,000
- Deputy Chief Executive Officer (DCEO) Up to £25,000
- Finance Director Up to £25,000
- Strategic Director Up to £10,000
- Head of Academy / Head of School Up to £10,000

25. The trust's external auditors raised several significant concerns in their 2018/19 management letter, in relation to procurement. We selected a sample of ten suppliers whose invoices over the period in question totalled £1,257,339.39, which included suppliers identified in allegations and the management letter. Then selected individual invoices totalling £289,518.50. Our findings are as follows:

Certified Pro Installs

26. Certified Pro Installs has submitted 56 invoices to the trust, totalling £241,678.72 over the sampled period. We selected 2 invoices totalling £61,114. We identified:

- for the invoice totalling £43,320.00, the trust went with the lowest quote out of the 3 quotes obtained. However, one of the quotes obtained may not be legitimate as it is similar in wording and looked identical to the one chosen
- for the invoice totalling £17,824.00, no quotes were provided, where the regulations/policy state at least 3 should have been

We are concerned that 47 of the invoices submitted by this supplier are below the £5,000 to £10,000 threshold where two quotes would have been required. Due to the amount paid to this supplier, this may have been an attempt to divert further scrutiny

Dorwingear Ltd

27. Dorwingear Ltd has submitted 88 invoices to the trust, totalling £99,935.43. We selected one invoice totalling £30,709.20. As the supplier for the gates referred to by the external auditors, we have several other concerns over the transactions with this supplier:

- for the invoice selected, the trust went with the highest quote, with no documented reason why
- the trust's external auditor viewed 3 quotes, however on site only 2 were provided
- the second quote from PJC Interiors may not be legitimate. There is no date or address on the quote. When researched online, this supplier can only be contacted via Facebook. The trust has not provided ESFA with any evidence that they have taken any action over the audit findings
- there is also no evidence that this order/contract was signed off by the finance director, as required by the regulations/policy

- we are also concerned that 84 of the invoices submitted by this supplier are below the £5,000 to £10,000 threshold where two quotes would have been required. Also, that the trust may not have secured value for money. Due to the amount paid to this supplier, this may have been an attempt to divert further scrutiny.

Clarendon Roofing and Building

28. £34,975.82 has been invoiced over 12 separate invoices. The cumulative value of which would necessitate CEO sign off and at least 3 quotes. The trust have stated that an invoice selected for sample testing was a one-off purchase, which would not have required more than one quote. However, the company completed various pieces of work, totalling the invoiced amount across 3 sites. The invoice we selected was 1 of 9 raised for the Saltley site, invoiced over a 5-month period, and totalling £21,447.24. Indicating that this expenditure related to planned works at the site, necessitating more quotes and greater scrutiny.

Premier Flooring Group

29. Premier Flooring Group, £28,921.39 has been invoiced over 6 separate invoices. An invoice for £21,590 was selected, only 2 quotes were obtained for this work, where there should have been 3. In addition, the quotes are not prepared on a like for like basis.

Malachi Specialist Family support

30. £72,882.00 has been invoiced by this supplier. Two invoices totalling £22,809.00 were selected. No quotes were provided, where given the amount invoiced, a tendering exercise should have been undertaken. This supplier is also a related party as a trustee is a director of the company. There is no evidence to support that the services are being provided at cost.

3D Facilities Support

31. £216,051.67 has been invoiced over 313 separate invoices. We selected an invoice totalling £11,118.00. There were no quotes on file, where if this was a one-off purchase, there should have been 3. ESFA have been informed that another company quoted for some of the invoiced works and although their quotes were lower, the trust continued to engage 3D Facilities Support. Most of the invoices are under the value where 2 quotes would be required.

Prestige Windows Limited

32. Prestige Windows Limited £321,211.92 has been invoiced over 20 invoices. We selected an invoice totalling £58,500.00. We reviewed the procurement report prepared

for Topcliffe window replacement and noted that the summary clearly states that the quote from Prestige Windows Ltd, was the highest.

Handsam Ltd

33. Handsam Ltd, have invoiced the trust for £85,400.71. Given the amount invoiced, a tender exercise should have been completed. Our review identified that although there are 3 quotes on file, one is not prepared on a like for like basis. External auditors highlighted a conflict of interest with the procurement exercise.

34. In summary, our review of procurement confirmed that the trust had been informed of issues in relation to compliance with their regulations and policy, which also breach the AFH, as far back as during their 2017/18 external audit. Our sample testing included invoices posted in 2019/20, which confirms that very little has been done to address the areas of concern. We have therefore identified multiple breaches of the trust's regulations and policy, as well as breaches of the AFH, in respect of regularity, value for money and complying with delegated authorities. In particular:

- instances where the total amounts invoiced when combined exceeds the tendering and board approval thresholds specified in the regulations / policy. Therefore, potential circumventions of controls to avoid further scrutiny have occurred
- the AFH at 2.2.8, which states that the academy trust must ensure:
 - spending has been for the purpose intended and there is probity in the use of public funds
 - spending decisions represent value for money
 - internal delegation levels exist and are applied
- also, of 5.48, which states that subject to sections 5.53 to 5.56 a trust must pay no more than 'cost' for goods or services provided to it by the following persons (Malachi)
 - members or trustees of the academy trust
- also, of 6.9, which states that academy trusts must be aware of the risk of fraud, theft and irregularity and address it by putting in place proportionate controls. Trusts must take appropriate action where fraud, theft or irregularity is suspected or identified (Certified Pro installs and Dorwingear Ltd)

On the basis of the trusts' response to these review points, we have identified a further finding and breach. The trust responded that MAT oversight was not extended to expenditure at school level. This represents a breach of the AFH 3.13, which states in

relation to MAT's that their audit committee's oversight must extend to the financial and other controls and risks at constituent academies.

Procurement card expenditure

35. We selected a sample of individual transactions from procurement card statements to check compliance with the trust's charge card policy, which states that card holders must ensure that appropriate budget holder approval is in place prior to purchasing any goods or services with their charge card. Charge card holders are responsible for retaining all receipts for all expenditure undertaken with their charge card. Evidence of budget holder approval should also be retained (e.g. by completing a WHMAT Charge card expense form or retaining an email from a budget holder requesting a charge card purchase be made on their behalf). Wherever possible VAT receipts should be retained to enable WHMAT to reclaim any VAT incurred on charge card purchases

The policy also states, 7 WHMAT charge cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action.

From our review of the transactions listing and selected sample we identified the following:

Card holder 1

36. Statements reviewed between September and December 2019:

- [REDACTED] pub £90.45. On file is a typed receipt from the pub showing the VAT amount and total and food and drink 2 December 2019. Attached to this is a charge card expense form, no approval signature/date from the budget holder and a cardholder receipt with no breakdown of what was purchased
- [REDACTED] £24.99, flowers for a member of staff. Email requesting that the funds come from hospitality

Card holder 2

37. Statements reviewed from July to December 2019 (excluding August 2019 – no statement held on file):

- travel expenditure (combination of parking, toll fees, taxi fares and train tickets) equalled 25 transactions totalling £298.75. 7/25 had no receipt and all of these had no expense form or authorisation. Also, no details recorded to justify reason for travel expenses.
- food/drink expenditure = 7 transactions £93.61, no expense form, no authorisation, and no reason for expenditure. All 7 transactions had a receipt

- miscellaneous expenditure - 4 transactions £174.00, no expense form, no authorisation, and no reason for expenditure. 3 of the transactions were at [REDACTED] and show that a [REDACTED] card has been used to claim points. 1 transaction for the Ibis in Coventry – not clear what this was for as no itemised receipt and only the cardholder copy on file. 2 transactions appear to be gifts totalling £18.45 – [REDACTED] and [REDACTED] (again claimed [REDACTED] points)
- July, September, and October 2019 statements have all been signed by the cardholder. November and December 2019 statements have not been signed

Card holder 3

38. Statements reviewed between October and November 2019:

- one transaction with no receipt or explanation - [REDACTED], which is a domain name company
- no expense form or authorisation for all transactions
- cardholder has signed own statement for October 2019 and November 2019 statement has not been signed

Card holder 4

39. Statement from September 2019 reviewed:

- transactions with [REDACTED], one is for the purchase of a domain name “castlevalenursery.co.uk” at £14.39. Castle Vale Nursery is not part of the MAT <http://castlevalenursery.co.uk/nursery>
- there is a second transaction for £316.66, which states it is for a developer managed [REDACTED] website and this is a renewal. It does not state which website this is in relation to
- one transaction for [REDACTED] Pay as You Go for £222.90 – the purpose of the transaction is not transparent

All 3 transactions have receipts, but it is not clear what they are for, there is no expense form and no authorisation documented.

Card holder 5

40. Statement from September 2019 reviewed:

- one transaction for [REDACTED] at £39.00 – email receipt states “congratulations – baby”. No expense form and no authorisation

Card holder 6

41. Statement for December 2019 reviewed:

- one transaction for £45.92 to ██████████ – no receipt, no expense form and no authorisation, it states 'gifts'

In summary, controls over procurement card expenditure are weak and our review identified:

- non-compliance with the trust policy in respect of pre-authorisation
- staff signing off their own expenditure
- missing receipts
- lack of detail as to why the expenditure was incurred
- gifts and questionable transactions identified

42. Not maintaining an audit trail of paperwork to support spending decisions and transactions means that a trust cannot evidence compliance with the AFH, which states in respect of purchasing at 2.28 that the trust must ensure that:

- spending has been for the purpose intended and there is probity in the use of public funds
- spending decisions represent value for money
- internal delegation levels exist and are applied within the trust

43. The AFH states in relation to gifts, at 5.31. "The academy trust should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or other benefits that might compromise their judgment or integrity and should ensure all staff are aware of it. When making gifts, the trust must ensure the value is reasonable, is within its scheme of delegation, the decision is documented, and achieves propriety and regularity in the use of public funds." Whilst the trusts financial regulations cover receipt of gifts, there is no mention of making gifts. The giving of gifts to staff is also not covered in the staff code of conduct.

Expenses

44. Primarily we requested a transaction listing of expense claims to check compliance with the trust's policies. The trust does not have a current expenses policy and the explanation provided was due to the merging of trusts. They have continued to use historic local authority guidelines. On site we were provided with a copy of an expenses policy for directors and local governing bodies dated 22 September 2015.

45. Expense claims were split across a separate expense's spreadsheet and the purchase ledger supplier report. The sample selected were based on key staff and the chair of trustees. A total of 55 expense claims were checked, covering the period 2017 to date (January 2020). From our review of the transactions listing and selected sample of expense claims, our findings were:

- 5 were missing, totalling £475.29 and there was no further information available

- 17 (34%) had no appropriate receipt(s) attached; of which only 2 had been authorised
- the remaining 33 had receipt(s) attached; of which 20 had been authorised, including, one signed by the CEO for her son's expense claim for £550.35 covering a 19-month period

46. We reviewed the CEO'S expense transactions for the period, totalling £4,859.45 and our findings were:

- a total of £1,318.94 had been claimed for mobile phone bills, where there was no full bill, no itemisation, and no authorisation
- one of the claims for £373.02 had a screenshot from the CEO's mobile banking attached, showing that the bill was £345.02 and a separate payment for O2 above that for £28.00 = £373.02. The £28.00 payment appears on different months screenshots but has been crossed out. It is therefore unclear if this was in fact claimable
- £97.20 travel expense claims of which:
 - 2 of 3 had receipts
 - 3 had no authorisation and no paperwork to explain the reason for journey and expenses incurred. This is broken down into £13.00 taxi (to London), £82.00 Visa application, £2.20 parking
- £3,700.35 mileage claimed, of which:
 - 21 of 22 included proof of expenditure
 - 7 of 22 had no authorisation
- £218.25 recorded as miscellaneous of which
 - 3 of 7 have receipts
 - 7 have no authorisation or explanation of why the costs were incurred

47. A more detailed analysis of the CEO's mileage claim shows several with "Mindful" as the reason for travel. It is not clear if every journey claimed is for trust business or solely for her previous director role with Mindful. The following claims appear to be primarily for the purpose of Mindful business:

- a claim on the 7 June 2019, where D Harewood listed as the reason on mileage form. D Harewood was announced as a Mindful Ambassador on 11/09/2019 (sourced from Twitter). The trust have responded, stating that the meeting with D Harewood was in his capacity as a school ambassador, however there is no evidence that the subject matter of the meeting was of benefit to or in relation to trust business
- a claim on the 10 September 2019, where the mileage form states "BEP & Mindful". The Mindful website states "Mindful Webinar to be held on 10 September 2019, where directors will be available to answer your questions"
- a claim on the 23 September 2019, where the mileage form states, "Digital Health Institute". An open source search (*Google*) confirms that the CEO attended the Institute for Digital Healthcare and gave a presentation explaining

Mindful and advocating their benefits. The other presentations given on that day do not appear to be relevant to academies and would therefore eliminate her attendance being for trust business. Other presentations included using movement analytics for digital health innovation and another about cutting-edge technologies being developed for cancer diagnosis and personalised treatment

- there are a number of other mileage claims for meetings at Fairfax multi-academy trust, where the CEO is also a trustee. Fairfax have also entered into an agreement with Mindful. The trust have stated that these meetings were CEO networking trips but has not provided any evidence to substantiate this. It is also questionable as to whether these claims were for trust business

Our findings in respect of our review of the director of estates, the chair and the estates manager's claims were:

- claims totalling £1,869.73 were made for mileage or travel of which:
 - 5 claims had receipts and 3 did not
 - 6 of the claims were authorised and 2 were not
 - there was also no details or paperwork to explain the reason why the journeys took place, or the expenditure was incurred
- a claim by the director of estates for £89.00 for "lost glasses, left in technology" was made and whilst there was a receipt, the claim had not been authorised

48. In conclusion, controls over the claiming of and authorisation of expense claims are weak:

- the trust does not have a current and robust expenses policy for use by staff, trustees, and local governing bodies, setting out the procedures to be adopted and the process for authorisation and approval
- sample testing highlighted that claims do not have any supporting documentation to provide a reason or justification for the journey or expenditure incurred
- there are no timescales for submission of claims, where up to 17 months has been claimed on one claim
- a conflict of interest has occurred where the CEO has authorised her son's mileage expenses which covered 19 months
- the CEO's mobile phone bill claim dated 11 December 2019 may contain an unclaimable item. None of the mobile phone claims are supported by a detailed itemised bill, where personal use would have been highlighted and deducted. There is no trust policy covering mobile phone claims or usage
- certain claims made by the CEO or for expenditure that may not have been directly related to trust business

49. This represents a breach of the AFH which states at 2.6 the academy trust must have sound internal control, risk management and assurance processes. This should follow a tiered approach comprising:

- clearly communicated procedures, structures, and training of staff
- appropriate day to day supervision and checks by management
- internal scrutiny overseen by an audit committee

Also, of 2.2 8, which states that he academy trust must ensure:

- spending has been for the purpose intended and there is probity in the use of public funds

Conclusion

50. Following receipt of allegations relating to financial management, related party transactions and procurement at WHMAT, 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 a number of those concerns and identified additional concerns relating to oversight and governance.

51. A number of significant findings and multiple breaches of the AFH have been identified. These include:

- related party transactions not compliant with the AFH
- a lack of independence between the board, senior leaders, and the audit committee
- the audit committee are not operating in line with AFH requirements, in respect of directing the trust's programme of internal scrutiny and reporting to the board on the adequacy of the trust's financial and other controls and management of risks
- external and internal audit findings have not been given appropriate priority to address
- weak procurement controls and a lack of audit trail to support spending decisions
- irregular quotes
- inconsistent adherence by staff to procurement policies
- a lack of probity in spending public funds
- value for money concerns over spending decisions

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

Annex A

The following table lists the review findings, breaches, and specific recommendations for the issues.

No.	Finding	Breach of AFH/ framework	Recommendation
Mindful Healthcare Ltd			
1	<p>The trust's related party transaction with Mindful Healthcare Ltd is not compliant with the AFH.</p> <p>ESFA have concerns about:</p> <ul style="list-style-type: none"> • how 'unique' the service is • the trust did not demonstrate that they had carried out a procurement exercise, leading up to appointing the supplier • the trust had also not considered the 'at cost' requirement • the trust had no discussion over the appointment at board level, other than the agreement being signed off by the chair without full consideration by other trustees • the CEO was involved in the decision to appoint 	<p>A breach of 5.37, which states that the board of trustees must ensure requirements for managing related party transactions are applied across the trust. The board chair 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 real and perceived conflict of interest, promoting integrity and openness in accordance with the 7 principles of public life.</p> <p>Also, of 5.38, which states that trusts must recognise that some relationships with related parties may attract greater public scrutiny, such as:</p>	<p>The trust needs to review the relationship with Mindful and respond to the concerns raised by the ESFA. Specifically:</p> <ul style="list-style-type: none"> • confirm why they consider the service to be unique • explain why a procurement exercise was not undertaken • clarify the position regarding "at cost" issues • confirm the CEO's relationship with Mindful <p>The trust must ensure that all future records in respect of such transactions are comprehensive and accessible for review/approval as required.</p>

		<ul style="list-style-type: none"> • transactions with individuals in a position of control and influence, including the board chair and accounting officer • payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors <p>Also, of 5.35, which states that payments provided to the persons referred to in section 5.48 satisfy the 'at cost' requirements in this handbook.</p>	
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Governance arrangements

2	<p>There is a lack of independence between the board, senior leadership, and the finance/audit committee, as demonstrated by its membership:</p> <ul style="list-style-type: none"> • the chair of trustees was the chair of the FAGPS committee, when this was fulfilling the role of audit committee, he continues to chair this committee and is listed as a trustee in attendance at audit committee 	<p>This is breach of the AFH which states at 3.9, employees of the trust should not be audit committee members, but the accounting officer and chief financial officer should attend to provide information and participate in discussions.</p> <p>This is breach of the AFH which states at 3.10, the chair of trustees should not be chair of the audit committee.</p>	<p>The trust must ensure that its chair of trustees is not chair of the audit committee.</p> <p>Also, that the CEO only attends audit committee meetings to provide information and participate in discussions and that the minutes reflect this.</p> <p>The terms of reference for these committees should clearly set out the</p>
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	<ul style="list-style-type: none"> the CEO is listed as a trustee during FAGPS meetings which also would have been at that time, the audit committee, she continues to be a member of this committee 		memberships in accordance with AFH requirements.
3	The financial statements were presented to the 29 November 2018 audit committee, although this was noted in the committee feedback at the 6 December 2018 board meeting, board approval was not minuted. The trust have since provided draft AGM minutes, but we have not seen any evidence that this meeting constitutes a full board meeting.	<p>The Academies Accounts Direction (AAD) states at 1.6.7 that the board of trustees should agree with their auditor an accounts preparation and audit timetable that enables achievement of the deadline.</p> <p>1.6.8, states that the timetable should incorporate the date of the trustees' meeting at which the accounts will be approved and signed.</p>	The trust must ensure that it complies with AAD requirements to minute board approval of the financial statements.
4	Concerns around procurement controls had been raised by external audit and as far back as October 2017 but other than an initial discussion, there is nothing further being recorded in the minutes in terms of addressing these issues. The minutes do not therefore demonstrate that appropriate independent assurances are being provided by the FAGPS/audit committee to the board of trustees.	<p>The relevant breaches in relation to this are, 3.1, which states that all academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and other controls, and risk management procedures, are operating effectively.</p> <p>Of 3.2, which states that internal scrutiny must focus on:</p> <ul style="list-style-type: none"> evaluating the suitability of, and level of compliance with, financial and other 	<p>The trust must be able to demonstrate that appropriate independent assurances are being provided by the audit committee to the board of trustees.</p> <p>The trust must agree a programme of work for internal audit, in order to facilitate this.</p>

		<p>controls. This includes assessing whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed</p> <ul style="list-style-type: none">• offering advice and insight to the board on how to address weaknesses in financial and other controls, acting as a catalyst for improvement, but without diluting management’s responsibility for day to day running of the trust• ensuring all categories of risk are being adequately identified, reported and managed <p>Also, of 3.3, which states that the trust must identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.</p> <p>Also, of 3.13, in respect of audit committee oversight in MATs, extending to the financial and other controls and risks at constituent academies.</p>	
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External and internal audit

5	<p>Concerns raised by audit reviews have not been actioned or given the appropriate priority to address.</p> <p>Internal scrutiny through independent checking has also not been fully embedded.</p>	<p>A breach of the AFH at 3.4, which states that internal scrutiny should take account of output from other assurance procedures to inform the programme of work. For example, it should have regard to recommendations from the trust's external auditors as described in their management letter, and from relevant reviews undertaken by ESFA.</p> <p>Also, of 3.5, in respect of independence in internal scrutiny. Which states that this must be achieved by establishing appropriate reporting lines whereby those carrying out checks report directly to a committee of the board, which in turn provides assurance to the trustees.</p> <p>Also, of 3.12, which states that the audit committee must:</p> <ul style="list-style-type: none"> • agree a programme of work annually to deliver internal scrutiny that provides coverage across the year • agree who will perform the work • consider progress in addressing recommendations 	<p>The trust must take urgent action to ensure that they can demonstrate that appropriate independence and internal scrutiny are in place.</p> <p>Actions to address the concerns raised during external and internal audit reviews should be urgently prioritised and progress towards achieving the recommendations adequately monitored by the appropriate committee.</p>
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Procurement			
6	<p>Our review confirmed in respect of procurement, that the trust had been informed of issues in relation to compliance with their regulations and policy, which also breach the AFH, as far back as during their 2017/18 external audit. Our sample testing included invoices posted in 2019/20, which confirms that very little has been done to address the areas of concern. We have therefore identified multiple breaches of the trust's regulations and policy, as well as breaches of the AFH, in respect of regularity, value for money and complying with delegated authorities.</p>	<p>Non-compliance with the trust's financial regulations and procurement policy, in relation to obtaining quotes and / or tenders and necessary approvals.</p> <p>AFH at 2.2.8, which states that the academy trust must ensure:</p> <ul style="list-style-type: none"> • spending has been for the purpose intended and there is probity in the use of public funds • spending decisions represent value for money • internal delegation levels exist and are applied <p>Also, of 6.9, which states that academy trusts must be aware of the risk of fraud, theft and irregularity and address it by putting in place proportionate controls.</p>	<p>The trust needs to take urgent actions to rectify the weaknesses identified.</p> <p>The trust should commission a full independent review of procurement practises to determine the full extent of the weaknesses. The review should consider and conclude how the failures occurred and substantiate the levels of irregularity. The findings of this review should be shared with ESFA and the terms of reference for this review must be approved by ESFA prior to the work taking place.</p>

		Trusts must take appropriate action where fraud, theft or irregularity is suspected or identified.	
Procurement card expenditure			
7	<p>From our review of the transactions listing and selected sample we identified the following:</p> <ul style="list-style-type: none"> • non-compliance with the trust policy in respect of pre-authorisation • staff signing off their own expenditure • missing receipts • a lack of detail as to why the expenditure was incurred • gifts and other questionable transactions 	<p>Non-compliance with the trust's procurement card policy.</p> <p>Not maintaining an audit trail of paperwork to support spending decisions and transactions means that a trust cannot evidence compliance with the AFH, which states in respect of purchasing at 2.28 that the trust must ensure that:</p> <ul style="list-style-type: none"> • spending has been for the purpose intended and there is probity in the use of public funds • spending decisions represent value for money • internal delegation levels exist and are applied within the trust <p>The AFH states in relation to gifts, at 5.31. The academy trust should have a policy and register on the acceptance of</p>	<p>The trust must ensure that it complies with its own polices and that controls around the use of procurement cards are strengthened.</p> <p>For the items specified, the trust should provide further details to ESFA and confirm if the items purchased comply with the trust's code of conduct and if they were incurred wholly and necessarily for trust business.</p> <p>Audit trails of paperwork to support spending decisions must be maintained.</p>

		<p>gifts, hospitality, awards, prizes, or other benefits that might compromise their judgment or integrity and should ensure all staff are aware of it. When making gifts, the trust must ensure the value is reasonable, is within its scheme of delegation, the decision is documented, and achieves propriety and regularity in the use of public funds.</p>	
Expenses			
8	<p>The trust does not have a current and robust expenses policy for use by staff, trustees, and local governing bodies, setting out the procedures to be adopted and the process for authorisation and approval.</p> <p>Sample testing highlighted that claims do not have any supporting documentation to provide a reason or justification for the journey or expenditure incurred.</p> <p>There are no timescales for submission of claims, where up to 17 months has been claimed on one claim.</p> <p>A conflict of interest has occurred where the CEO has authorised her son's mileage expenses which covered seventeen months</p>	<p>A breach of the AFH which states at 2.6 the academy trust must have sound internal control, risk management and assurance processes. This should follow a tiered approach comprising:</p> <ul style="list-style-type: none"> • clearly communicated procedures, structures, and training of staff • appropriate day to day supervision and checks by management • internal scrutiny overseen by an audit committee 	<p>The trust must ensure that it has appropriate systems and documented procedures in place and that expectations in relation to these are clearly communicated. (Refers to expense claims, what can be claimed and mobile phone usage / claims)</p> <p>The trust must be able to demonstrate that it has sound internal control, risk management and assurance processes are in place, following the tiered approach specified in the AFH.</p> <p>Controls should extend to appropriate approvals.</p>

	<p>The CEO's mobile phone bill claim dated 11 December 2019 may contain an unclaimable item. None of the mobile phone claims are supported by a detailed itemised bill, where personal use would have been highlighted and deducted.</p>		<p>The trust must provide assurances that no further conflicts of interest have occurred and detail what steps they have taken to ensure this is the case.</p> <p>Full mobile phone bills should be presented, with appropriate deductions being made to claims for personal calls.</p>
9	<p>We also identified claims made by the CEO for expenditure that may not have been directly related to trust business. These relate to mileage claimed for travel to and from Mindful and Fairfax.</p>	<p>A breach of the AFH at 2.28, which states that the academy trust must ensure spending has been for the purpose intended and there is probity in the use of public funds.</p>	<p>The trust should provide a full explanation as to why expenses were claimed and paid for the instances highlighted by the review, demonstrating on each occasion, that these were necessarily incurred on trust business or otherwise.</p> <p>The trust should also provide assurances to ESFA that no further instances of this nature exist.</p>



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