



Education & Skills
Funding Agency

Financial management and governance review

**Penny Bridge Church of England Primary
School Limited**

January 2021

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Glossary

Title	Name of individual
Chair of trustees/chief financial officer (AFH) and member	[redacted]
Accounting officer / chief executive officer	[redacted]
Caretaker, chair's [redacted] and proprietor of [redacted]	[redacted]

Executive summary

1. The ESFA received allegations in May 2019 in relation to Penny Bridge Church of England Primary School Limited (hereafter referred to as the trust), which raised concerns about their financial management and governance arrangements. As a result, ESFA commissioned a financial management and governance visit, which took place between 5 and 7 August 2019.

2. The ESFA review identified a number of failings and weaknesses in financial management and governance arrangements that breach the Academies Financial Handbook (AFH) 2018, the Academies Accounts Direction 2017/18 and therefore, the trust's funding agreement. Our findings also validate the concerns raised. Key findings of the review have confirmed:

- the trust's governance arrangements do not meet AFH requirements:
 - the trust has not been transparent in reporting their governance arrangements
 - there is no clear separation between the executive team and the board of trustees, with the chair also being a member and the chief financial officer (CFO)
 - the trust does not have an audit committee in operation and is not delivering assurances through independent challenge
 - management accounts do not include budget variance reports as the budget is varied to match actual expenditure and the finance report being presented to the board is a high-level overview of the bank balance, income and expenditure

(paragraphs 10 to 11 refer)

- of the 2 Condition Improvement Fund projects (CIF) recently funded, the trust have underspent on one and plan to use these funds to fund other works, with no evidence that this has been approved. We also identified:
 - one contract was awarded to the chair's [REDACTED], an assumed sole trader, who is also the trust's self-employed caretaker, against advice from the original appointed consultant
 - the building work was not quoted or completed at cost
 - the trust appointed another consultant without following any evidenced procurement processes
 - costs continued to be incurred after the completion paperwork was submitted
 - the project was completed 62 weeks late

(paragraphs 12 to 21 refer)

- there are also IR35 concerns over the position held by the chair's [REDACTED] (paragraph 22 refers)
- the chair and chief executive (CEO) are directors of the private nursery located within trust grounds and trust funds are being used to pay for private nursery expenditure. In addition, VAT has been reclaimed for some of this expenditure (paragraphs 23 to 26 refer)
- the trust has used their PE and sports premium funding to fund curriculum activities as well as capital and questionable expenditure (paragraphs 27 to 28 refer)
- the trust has spent £150 on flowers as gifts to trustees (paragraphs 29 and 30 refers)

Background

3. Penny Bridge Church of England Primary School is a single academy trust, which converted in November 2013. It is a primary school with a capacity for 105 pupils, with 118 pupils currently on roll.
4. The trust reported an in-year deficit of £7,657 in their 2017/18 audited accounts, with revenue reserves of £4,084.
5. The trust has not been inspected by Ofsted since conversion and their November 2011 report rated them as outstanding.

Objectives and scope

6. The objective of this review was to establish whether the allegations 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 allegations related to:

- governance arrangements not in line with AFH requirements
- related party concerns
- poor financial management
- school finances being used to support a nursery
- misuse of sports premium funding

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

- review of relevant documentation, including governing body minutes and supporting policies
- testing of financial management information
- interviews with key staff and trustees

8. In accordance with EFA investigation publishing policy, (September 2020) the relevant contents of the report have been cleared for factual accuracy with Penny Bridge Primary School.

Findings

9. Findings from the review have confirmed that there are weaknesses in financial management, governance, and a lack of transparency over reporting arrangements. Also, breaches of the AFH, the trust's funding agreement, the 2017/18 Academy Accounts Direction and Charities SORP. In respect of the allegations made, our findings are as follows.

Governance arrangements

10. Allegations were made in respect of governance arrangements at the trust and that there was no separation between executive staff and trustees. Our findings in relation to this allegation are:

- there are significant discrepancies between the information recorded on Get information about schools (GIAS), the trust's website, and the 2017/18 audited accounts in respect of the governance structure at the trust
- the chair of trustees is also the trust's unpaid CFO and is also a member
- the current scheme of delegation is not fit for purpose and does not demonstrate how financial powers have been delegated, whilst maintaining robust internal controls
- from 2017/18 and to the date of our review only the governing body had met, the other committees described in the 2017/18 audited accounts did not operate, or include a finance/audit committee
- trust minutes from 12 February 2019 show the trust discussed having 3 staff members on their proposed resources committee, covering the audit committee role. The trust has since informed us that in a meeting held in June 2019, they further discussed having 2 staff members in this committee, though employees should not be members of such a committee. Trust board minutes from September 2019, which is after the ESFA visit, shows that a resources committee was set up with one member of staff (Deputy Head), which further shows the trusts misunderstanding of the AFH clause 2.9.3 that's states 'Employees should not be members of an audit committee'
- a parent trustee is also a member of staff, providing counselling services to the trust, which has not been declared
- the audited accounts state that the trust has decided not to appoint an internal auditor but have instead appointed [REDACTED], the chair (also the CFO and a member) to undertake a programme of internal checks. This has not been formalised and consequently there are no independent checks being completed. It would also not be considered independent for the CFO to be completing such checks whilst also undertaking many of the tasks, where adequate controls would need to be confirmed

- we evidenced 4 agendas from a review of 19 meetings, the trust has since provided 12 further agendas. However, we have no evidence to support that these were prepared and shared before the meetings
- although the minutes appear to demonstrate a set structure, our review of the minutes and papers presented identified:
 - evidence of discussions being held outside of the meetings and therefore not being minuted, such as discussions about the CIF projects and a change of consultant
 - the budget being agreed at a trustee surgery meeting, rather than a full board meeting
 - the finance information being presented is a high-level summary and does not incorporate cash flow forecasting or variance analysis
 - management accounts are being prepared, however, rather than reporting on variances from the set budget, the budget is being amended to match actual expenditure
 - there is no separation between preparation of the management accounts and presentation, as they are being prepared by the CFO to present to the chair, the same person

11. In conclusion, this allegation is upheld. The trust has not been transparent in reporting their governance arrangements and there is no clear separation between the executive team and the board of trustees, with the chair also being a member and the CFO. The trust does not have an audit committee in operation and is not delivering assurances through independent challenge. Management accounts do not include budget variance reports as the budget is varied to match actual expenditure. In addition, the finance report presented to the board is a high-level overview of the bank balance, income and expenditure and commentary such as 'on target'. These findings represent multiple breaches of the AFH in the following areas, full details of the breaches are detailed in annex A:

- 2.10 Transparency, the trust must be transparent with its governance arrangements, including publishing on its website up-to-date details of its governance arrangements in a readily accessible format
- 4.8.3 Notifying DfE of the appointment or vacating of the positions of a member, trustee and local governor, via Get information about schools (GIAS) register, accessed via Secure Access
- 2.1.3 approving a written scheme of delegation of financial powers that maintains robust internal controls
- 2.9.1 establishing a committee, appointed by the board of trustees, to provide assurance to the board over the suitability of, and compliance with, its financial systems and operational controls, and to ensure that risks are being adequately identified and managed
- 2.2.1 establishing a robust control framework that includes:
 - maintaining appropriate segregation of duties

- independent checking of financial controls, systems, transactions, and risks
- 2.3.3 the board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management

Related party transactions

12. Allegations were made in respect of contracts for building works being awarded to the chair's [REDACTED] and that expenditure incurred by the nursery was being paid from trust funds. Our findings in relation to this are:

Condition Improvement Fund

13. The trust has had 2 successful Condition Improvement Fund (CIF) applications, as set out below:

Project Reference	Project Name	Total Project Cost	Reserves and Other Contributions	Grant Funding Requested	Total Funding Requested
CIF-1718-140306-1	Pitched Roof Replacement	£161,657	£ -	£161,657	£161,657
CIF-1718-140306-2	School House Remodelling to form new teaching facilities	£183,959	£9,200	£174,759	£174,759

14. The trust provided us with evidence that 5 companies were invited to tender for the pitched roof replacement work. However, this did not confirm who the contract was awarded to and evidence of board approval, for which company to engage, was not apparent. There was also no evidence that a proper procurement process was adopted over the engagement of the appointed consultants. Accounting records, however, indicate that the contract was awarded to [REDACTED], the cheapest of the 5 bids.

15. The file provided, contained a paper copy of a spreadsheet with roof CIF income/expenditure, covering June 2017 to February 2019. Total income from ESFA is recorded as £145,491 and total expenditure £113,991.49, providing an excess of income of £31,499.51 (with another £16,166.00 income due from the ESFA).

Our review of the governing body minutes indicates that the works have been completed, the completion due date was November 2018. However, at the time of our visit, completion paperwork had not been submitted to ESFA. Additionally, minutes indicate that the trust plans to spend the excess income on further roofing works and that ESFA had agreed to this in principle. We have since been informed that this request was rejected.

16. The schoolhouse remodelling was completed 62 weeks late, completion paperwork for this project has been received by ESFA, which lists the contractor as [REDACTED]. Open source research identified that [REDACTED], the owner of this business, is the

██████████ of the chair (also the CFO and a member). However, further searches of the business and ██████████ return no results on search engines or Companies House, suggesting that he is a sole trader.

17. The trust received 4 tenders for this project and ██████████'s was the lowest value. However, it was noted that his proposal did not include costs for materials, as these were to be supplied by the trust. Therefore, no overheads or profit would be added to the cost of these. Our testing identified that:

- the trust was advised against using the chair's ██████████'s company by the original appointed consultant, stating there were shortfalls which needed to be addressed in respect of health and safety competence, insurance and financial standing. The consultant provided a list of competent contractors who would be invited to tender, and they were instructed, by the trust, to add ██████████ to the list. As a result, the consultant informed the trust they would no longer be acting as the principal designer, they also raised concerns over the project length, with ██████████'s being double that of other contractors
- the consultant set out their concerns in relation to the project in a letter dated 18 April 2018. They also set out their fees to date stating, that the replacement consultant's fees appear to be high and that they do not represent market value for the work remaining
- they also inform the trust that a virement between projects is not allowable, as the trust were planning to use funding left from the roof project to pay for the new consultant
- the trust changed consultants, without following a proper procurement exercise and as a result incurred extra cost
- the building works were not quoted at or completed at cost, given that the contractor is the ██████████ of the chair. The trust has since provided us with invoices from a labourer, which demonstrate that when these have been recharged by ██████████, there has been a mark-up on the hourly rate
- ██████████ ordered supplies and equipment for the project via the trust's accounts with suppliers
- the trust provided us with income and expenditure records for this project, which indicate that costs continued to be incurred after the completion paperwork was submitted

18. It is evident that ██████████ has been completing work for the academy for a number of years, on a self-employed basis. The trust has paid ██████████ ██████████ in the last 2 years, for a combination of invoiced CIF work, handyman work and ██████████ work. ██████████ is listed on the staff board and trust website as being the ██████████, although he is not paid through the payroll.

19. The costs incurred for the building works completed by the chair's ██████████ should have been reported in the audited accounts as a related party transaction. These

findings represent multiple breaches of the AFH in the following areas, full details of the breaches are detailed in annex A:

- the 2017/18 academies accounts direction and Statement of Recommended Practise (SORP) in respect of disclosure
- the AFH at 3.10.12 in respect of paying no more than 'cost' for goods or services provided to it by any individual or organisation related to a member or trustee of the academy trust
- 3.10.3 in respect of keeping sufficient records, and making sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

20. The fact that the trust decided to employ the services of [REDACTED]'s company, despite warnings over his capability and seemingly without documented trustee sign off/approval or consideration of the conflict of interest this represents, is of concern. The AFH states at 1.3.3 that the trustees must apply the highest standards of governance and take full ownership of 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:

- avoid conflicts of interest
- declare interest in proposed transactions or arrangements

21. In addition to the above, there are IR35 concerns over [REDACTED]'s role in respect of off payroll HMRC requirements. However, these are not within ESFA's remit to investigate further.

Nursery accounting

22. The chair and CEO are directors of the nursery located on the trust site. Allegations were received in respect of the trust paying for nursery incurred expenditure. Discussions identified that the nursery are recharged for certain items, which were initially paid for by the trust, in addition to paying directly for other items. The related party transaction section of the trust's audited accounts (page 52) states that the nursery paid £3,699 to the academy in respect of its share of electricity, refuse, stationery, and computer costs. Our testing in respect of this allegation identified the following:

- we reviewed the invoices for school and nursery meals between August 2018 and July 2019, totalling £4,995.00 and noted that the trust have paid for nursery cash meals totalling £198.00, they have also paid the VAT for the nursery direct debit meals totalling £799.50, with no apparent recharge
- the trust's annual electricity budget is £6,000 and they charge the nursery £300 per year for shared usage. The trust stated that the nursery is in the process of

separating its electricity supply. The trust has no evidence to support that this represents fair usage, with the nursery contributing just 5% towards the trust's annual costs

- the trust shares landline phone and refuse collection services with the nursery, which is recharged in variable monthly amounts
- the trust is reclaiming VAT on its shared utilities. The shared usage would deem the nursery's portion as exempt from reclaim
- the afterschool club is advertised as a service from the nursery. However, there is evidence of invoices being paid for by the trust for afterschool tuck shop, sport and dance clubs, with just a portion of these being paid via bank transfers
- the trust confirmed that parents pay the nursery direct for the afterschool club

23. Allegations that trust funds are paying for nursery incurred expenditure have been upheld. There is also evidence that the trust is paying the VAT for nursery expenditure and reclaiming it. In addition, there are concerns that services being recharged are not based on a fair usage assessment. This is a breach of the AFH, which states at 2.4.1 that the academy trust must ensure that:

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

24. Of 3.10.2, which states that 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 perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.

25. Also, of the trust's funding agreement, which states at clause 53, that GAG paid by the Secretary of State shall only be spent by the academy trust towards the normal running costs of the academy.

Use of PE and sports premium

26. Allegations that the school had not used sports premium funding for its intended purposes were made. We reviewed the report on how funding had been spent in 2018/19 and prior years, as posted on the trust's website, and requested the evidence supporting the statements. Our findings were that the following had been included:

- Minibus lease costs at £533 a month, for 15 instalments
- curriculum dance at £475 a term
- curriculum soccer at between £300 and £350 a term
- £1,953.60 on purchasing iPads and covers. Though the purchases are being used to support assessment and show the impact of funding, they do not

demonstrate how funding has been used to facilitate any improvements in provision

Guidance specifies, you should not use your funding to:

- teach the minimum requirements of the national curriculum – with the exception of top-up swimming lessons after pupils' completion of core lessons (or, in the case of academies and free schools, to teach your existing PE curriculum)
- fund capital expenditure

27. Our on-site visit concluded that the trust has used their PE and sports premium funding to fund curriculum activities as well as capital expenditure.

Gifts for trustees

28. The trust provided us with a detailed supplier expenditure list from their accounting system. From a limited review of transactions, over and above those reviewed above, we noted that the trust had paid £150.00 to a local florist for flowers for 5 trustees as gifts. The trust's finance procedures do not include a policy on purchasing gifts and their scheme of delegation does not refer to reasonable values. The trust has now provided evidence that this has been repaid.

29. The AFH states in this respect at 3.9.1, that the academy trust should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or any other benefit that might be seen to 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 of financial powers, the decision is documented, and has due regard to propriety and regularity in the use of public funds.

Conclusion

30. The trust needs to take urgent action to resolve the issues identified in our review. Annex A includes a table of findings, breaches of frameworks and specific recommendations for the trust.

31. In respect of the allegations received, our findings have upheld those raised in respect of governance arrangements and a lack of separation with the executive team, poor oversight, related party transactions and capability issues, trust funds being used to pay for nursery expenditure, and not using PE and sports premium funding for its intended purposes. These represent breaches of the AFH, the accounts direction and the funding agreement.

Annex A

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

No	Finding	Breach of AFH / framework	Recommendation
Governance arrangements			
1.	<p>There are significant discrepancies between the information recorded on Get information about schools (GIAS), the trust's website and the 2017/18 audited accounts in respect of the governance structure at the trust.</p>	<p>AFH at 2.10, which states in respect of transparency, the trust must be transparent with its governance arrangements. The trust must also publish on its website up-to-date details of its governance arrangements in a readily accessible format.</p> <p>Also, of 4.8.3, which states that the trust must notify DfE of the appointment or vacating of the positions of:</p> <ul style="list-style-type: none"> • member, trustee and local governor <p>Within 14 days of that change. Notification must be through the governance section of DfE's GIAS register, accessed via Secure Access. All fields specified in GIAS for the individuals must be completed. The trust must ensure its record on GIAS for the individuals remains up to date.</p>	<p>The trust must ensure that it complies with AFH requirements in relation to transparency and reporting its governance arrangements.</p> <p>All necessary changes to the trust's website and GIAS should be urgently made.</p>

No	Finding	Breach of AFH / framework	Recommendation
2.	<p>The chair of trustees is also the trust's unpaid CFO and is also a member.</p>	<p>AFH at 1.4.3, which states that employees of the trust must not be members unless permitted by their articles of association. The current model articles do not allow members to be employees.</p> <p>1.4.4 The Department's view is that there should be a significant degree of separation between the individuals who are members and those who are trustees. If members sit on the board of trustees this may reduce the objectivity with which the members can exercise their powers.</p>	<p>The trust should urgently address this conflict of roles to ensure that appropriate oversight and objectivity can be demonstrated through governance arrangements.</p>
3.	<p>There is no separation between preparation of the management accounts and presentation, as they are being prepared by the CFO to present to the chair, the same person.</p> <p>There are currently no independent checks of financial controls, systems, transactions and risks.</p>	<p>AFH at 2.2.1, which states that the academy trust must establish a robust control framework that includes:</p> <ul style="list-style-type: none"> • maintaining appropriate segregation of duties • independent checking of financial controls, systems, transactions and risks 	<p>The trust must ensure that they comply with AFH requirements in respect of appropriate segregation of duties and independent checking of financial controls, systems, transactions and risks</p>
4.	<p>The current scheme of delegation does not fully demonstrate how financial powers have been delegated, whilst maintaining robust internal controls.</p>	<p>AFH at 2.1.3, which states that while the board cannot delegate overall responsibility for the academy trust's funds, it must approve a written scheme</p>	<p>The trust must ensure that their scheme of delegation is fit for purpose and demonstrates how financial powers</p>

No	Finding	Breach of AFH / framework	Recommendation
		of delegation of financial powers that maintains robust internal controls.	have been delegated, whilst maintaining internal controls.
5.	<p>From 2017/18 and to the date of our review only the governing body had met, the other committees described in the 2017/18 audited accounts did not operate, to include a finance/audit committee</p> <p>In addition, the trust had intended to have three staff members on their proposed resources committee, covering the audit committee role.</p>	<p>AFH at 2.9.1 which states that the academy trust must establish a committee, appointed by the board of trustees, to provide assurance to the board over the suitability of, and compliance with, its financial systems and operational controls, and to ensure that risks are being adequately identified and managed.</p> <ul style="list-style-type: none"> • Employees should not be members of an audit committee; the AO and other relevant staff should routinely attend to provide information and participate in discussions. Where the trust operates a combined finance and audit committee, employees may be members but should not participate as members when audit matters are discussed; they may remain in attendance to provide information and participate in discussions. 	<p>The trust must ensure it complies with the AFH in this respect and should urgently address the issues raised, ensuring a properly appointed committee, fulfilling the role of an audit committee is in place.</p>
6.	<p>An agenda is not routinely prepared/issued in advance of the governing body meetings, we saw 4 agendas from a review of 19 meetings</p>		<p>The trust should ensure that an agenda of items to be discussed is prepared and issued in advance of governing body meetings.</p>

No	Finding	Breach of AFH / framework	Recommendation
	<p>Although the minutes appear to demonstrate a set structure, our review of the minutes and papers presented identified evidence of decisions being made outside of the meetings and therefore not being minuted.</p>		
7.	<p>The finance information being presented is a high level summary and doesn't incorporate cash flow forecasting or variance analysis Management accounts are being prepared, however, rather than reporting on variances from the set budget, the budget is being amended to match actual expenditure.</p>	<p>AFH at 2.3.3, which states that the board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management.</p> <ul style="list-style-type: none"> • Budget monitoring – The trust must prepare management accounts every month setting out its financial performance and position, comprising budget variance reports and cash flow forecasts with sufficient information to manage cash, debtors and creditors. Managers must take appropriate action to ensure ongoing viability. • Management accounts must also be shared with the chair of trustees every month irrespective of the size of the trust, and with the other trustees six times a year. The board must consider these when it meets. The board must ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure. 	<p>The trust must ensure that it complies with AFH requirements in respect of reporting to the board of trustees and the finance committee.</p>

No	Finding	Breach of AFH / framework	Recommendation
Condition Improvement Fund			
8.	<p>The trust incurred additional expenditure by changing consultant for a CIF project.</p> <p>Also, there was no evidence that the services of the other consultant had been procured following an approved process or that this represents value for money.</p>	<p>AFH at 1.3.4, which states that the trustees must ensure regularity and propriety in use of the trust's funds, and achieve economy, efficiency and effectiveness – the three key elements of value for money.</p>	<p>The trust should confirm how this decision reflects an appropriate use of the freedoms delegated to the trust, how this represents value for money and who made the decision to take this action.</p> <p>They should also confirm if the additional costs were paid for from the CIF funding allocated to the roof project and if and from whom, the authority to do was gained.</p> <p>They should also confirm how they intend to spend the remaining underspend, again confirming under whose authority this agreed.</p>
9.	<p>██████████, the chair's ██████████ was awarded the contract for the schoolhouse remodelling CIF project, despite concerns raised by the appointed consultant.</p>	<p>2017/18 academies accounts direction, which specifies that:</p> <ul style="list-style-type: none"> • Transactions with related parties and those identified as connected per the AFH must be disclosed fully and openly so that the users of the accounts can gain a proper understanding of them, and any issues that might have influenced them. 	<p>The trust must ensure that it complies with related party principles specified in the AFH, the accounts direction and charities SORP.</p> <p>The trust should set out how the decision was made to add ██████████ to the list invited to tender and why the decision was made to go with his quote, despite professional advice not to do so,</p>

No	Finding	Breach of AFH / framework	Recommendation
		<p>AFH, which states at 3.10.12, that subject to sections 3.10.17 to 3.10.20 a trust must pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include contracts of employment):</p> <ul style="list-style-type: none"> • any member or trustee of the academy trust • any individual or organisation related to a member or trustee of the academy trust <p>For these purposes, the following persons are related to a member, or trustee, a relative of the member or trustee. A relative is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person.</p> <p>In addition, the AFH at 3.10.3 specifies that the trust must keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability</p>	<p>which included concerns over capability, health and safety and the length of time it would take.</p> <p>The trust should explain how and how much expenditure was incurred on the project after the submission of the completion paperwork.</p>

No	Finding	Breach of AFH / framework	Recommendation
		<p>and transparency required within the public sector.</p> <p>AFH which states at 1.3.3 that the trustees must apply the highest standards of governance and take full ownership of 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> <ul style="list-style-type: none"> • avoid conflicts of interest • declare interest in proposed transactions or arrangements 	
10.	<p>There are IR35 concerns over [REDACTED]'s role as caretaker and contractor, in terms of off payroll working rules.</p>	<p>Potential breach of IR35 off payroll working rules.</p>	<p>The trust should confirm the status of [REDACTED], the intermediary providing services to the trust, in respect of tax and National Insurance contributions.</p> <p>The trust has a duty to decide status and should have made him aware of this prior to entering into a contract with him.</p> <p>Given that [REDACTED] has been purchasing supplies and equipment using trust suppliers, the trust should provide an explanation as to why, if he</p>

No	Finding	Breach of AFH / framework	Recommendation
			isn't an employee, he has been permitted to do so and under whose authority.
Nursery accounting			
11.	<p>Weak accounting controls have been identified in respect of accounting for expenditure incurred by the nursery:</p> <ul style="list-style-type: none"> • VAT has been reclaimed • invoices have been paid and not recharged • a fair usage and detailed rationale have not been produced 	<p>AFH, which states at 2.4.1 that the academy 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 <p>The nursery is a limited company, incorporated in 2011, it should therefore be managing its own tax affairs.</p> <p>3.10.2, which states that 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 perceived conflicts of interest, promoting integrity</p>	<p>The trust should conduct a review of all expenditure incurred by the nursery but paid for by the trust.</p> <p>The trust should report to ESFA how much expenditure has not been charged to the nursery and provide assurances that this will be reimbursed.</p> <p>The trust should provide a full and detailed breakdown and rationale for all recharges made to date and provide assurances to ESFA that these are based on fair usage/a market value assessment.</p> <p>The trust should also confirm the tax status of the nursery, how much VAT it has paid on behalf of the nursery and provide assurances that this will be rectified.</p>

No	Finding	Breach of AFH / framework	Recommendation
		<p>and openness in accordance with the seven principles of public life.</p> <p>The trust's funding agreement, which states at clause 53, that GAG paid by the Secretary of State shall only be spent by the academy trust towards the normal running costs of the academy.</p>	
PE and sports premium			
12.	<p>The trust has used funding to pay for the lease costs of their minibus, also for curriculum related activity and iPads and covers.</p>	<p>PE and sport premium for primary schools' guidance.</p>	<p>PE and sports premium funding must be used for its intended purposes.</p> <p>The trust should seek a ruling from ESFA overusing funding to pay for a minibus lease and curriculum activity to determine if this is allowable expenditure.</p> <p>They should also provide ESFA with an explanation as to how expenditure on iPads and covers can be deemed appropriate use of funds.</p>
Gifts for trustees			

No	Finding	Breach of AFH / framework	Recommendation
13.	<p>The trust has spent £150 on flowers as gifts for trustees.</p> <p>The trust's finance procedures do not include a policy on gifts and hospitality, the scheme of delegation also does not refer to such transactions.</p>	<p>AFH at 3.9.1, which states that the academy trust should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or any other benefit that might be seen to 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 of financial powers, the decision is documented, and has due regard to propriety and regularity in the use of public funds.</p>	<p>The trust must ensure that it complies with AFH requirements in this respect.</p> <p>The trust should provide ESFA with the documented decision and rationale for these gifts and how this expenditure represents due regard to propriety and regularity in the use of public funds.</p>



Education & Skills
Funding Agency

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