



Education & Skills  
Funding Agency

# **Financial management and governance review:**

## **Galileo Multi Academy Trust**

**January 2021**

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## Executive summary

1. Allegations were received by ESFA between March 2019 and May 2019 in relation to Galileo Multi Academy Trust (hereafter referred to as the trust). The allegations were wide ranging but raised concerns about financial management and governance arrangements at the trust. As a result, the Education & Skills Funding Agency (ESFA) commissioned a fact finding visit to assess the validity of these concerns. Following a review of initial findings this was escalated to a financial management and governance review.

2. The ESFA review identified a number of failings and weaknesses in financial management that breach the Academies Financial Handbook (AFH) 2018 and validate many of the concerns raised. Key findings of the review have confirmed:

- the trust has not complied with its financial procedures policy when procuring a new catering contract. The contract was awarded to a related party on a 'for profit' basis. The related trustee resigned after the trust had decided who the contract would be awarded to (paragraphs 10 to 21 refer)
- the register of business interests on the trust's website is not complete. In relation to related party transactions, conflicts of interest are not always declared or recorded correctly during trust board and committee meetings (paragraphs 24 to 25 and 28 to 29 refer)
- in relation to the procurement of consultants the trust has not complied with its financial procedures policy (paragraphs 30 to 36 refer)
- instances of purchasing card expenditure which do not comply with the trust's policies, particularly in relation to gifts and hospitality (paragraphs 37 to 43 refer)
- travel and expenses expenditure, which does not always comply with the trust's expenses policy (paragraphs 44 to 47 refer)
- recruitment processes in operation are not in accordance with the trust's recruitment and selection policy and best practise in respect of a fair and open competition (paragraphs 48 to 54 refer)
- the trust does not have a process in place for academy head teachers to appeal against the level of central top slice applied (paragraphs 55 to 56 refer)
- instances of conference expenditure and marketing expenditure which may not represent value for money (paragraphs 57 to 61 refer)

## Background

3. Galileo Multi Academy Trust was incorporated on 30 March 2017 and consists of 10 primary academies which joined the trust on 1 April 2018. All of the academies are converter academies, 2 of them are Church of England academies. None of the academies have been inspected since conversion but all were rated good or outstanding prior to conversion.
4. The trust reported a cumulative surplus of £996,948 in its 2017/18 audited accounts. This was the trust's first set of accounts.
5. Between March 2019 and May 2019, the ESFA received allegations relating to financial management and governance at the trust. As a result, an ESFA team undertook an on-site review of the allegations between 24 and 27 June 2019.

## Objectives and scope

6. The objective of this review was to establish whether the concerns received by 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:

- irregular expenditure
- procurement
- financial management and governance
- breaching finance policies and procedures
- recruitment

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:

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

8. This report covers the period from incorporation of the trust to June 2019.

9. In accordance with ESFA investigation publishing policy (September 2020) the report has been shared with both prior and current trustees of Galileo Multi Academy Trust for factual accuracy checking purposes.

# Findings

## Catering contract

10. Allegations were received in respect of new catering arrangements introduced by the trust. The allegations related to the procurement process and conflicts of interest. ESFA review of the contract arrangements identified that:

- 8 of the 10 schools within the trust had catering contracts with [REDACTED], which were in place prior to conversion and had been due to end March 2018 but were temporarily extended. [REDACTED] provided the staff and all food and supplies
- the new catering arrangements went live in January 2019. Catering was brought in-house, and all catering staff were transferred from [REDACTED] to the trust. Food and other supplies are now provided by two suppliers: [REDACTED] and [REDACTED]

11. From evidence provided and reviewed by the team, the timeline of events in relation to the development of the new catering arrangements is confirmed as follows:

- a meeting was scheduled in April 2018 between the trust's chief executive officer (CEO), and trustee 1 who was also a director of [REDACTED] (which had been declared on the register on interests), and [REDACTED], the area manager for [REDACTED]. [REDACTED] is a supplier of [REDACTED]
- continued discussions took place between the trust, [REDACTED] and [REDACTED], including further calendar appointments and emails
- evidence provided by the trust includes an email from the trust chair, dated 25 April 2018 to the CFO and the chair of the finance, audit and risk committee which states: 'Given that the supplier to the service delivery entity would be [REDACTED] ...'
- costing information had been shared inappropriately with the preferred new supplier
- documentation indicated that [REDACTED] had undertaken a shopping basket exercise in June 2018, although no supporting evidence was made available to the review team
- further to this, the minutes of the 5 June 2018 meeting of the trust board record that a tender process has been undertaken. The CEO is noted as explaining that catering staff would be employed by the academy trust, with produce being provided through [REDACTED], as the preferred supplier following the tender process. The minutes also record that trustee 1 would have to resign as trustee if a 'for profit' contract is signed

12. The trust undertook an initial costing exercise, which estimated a potential surplus of £8,000 per year. A further costing exercise was undertaken by [REDACTED] and

██████████ of ██████████, which estimated a potential surplus of £41,000 per year. However, no supporting evidence was provided to explain how the costs were derived, and there was no comparison of costs and potential savings compared to the existing contract arrangements. There is also no evidence that a cost-benefit analysis was undertaken to establish the wider costs and benefits of bringing catering in-house compared to retendering the existing contract arrangements.

13. The trust advised ██████████ on 28 June 2018 that it was bringing catering in-house, indicating it would TUPE ██████████ staff across to the trust and proceeded to give notice to terminate the arrangements with the 8 schools.

14. ██████████ contract of employment confirms that he began working for the trust as catering manager on 26 November 2018 and on 4 December 2018 he emailed 9 suppliers inviting them to tender for the supply of food and non-food provisions, with a closing date of 11 December 2018. The email stated that the trust was hoping to streamline the number of suppliers and therefore asked suppliers to quote for as many products as possible. The letter attached to the email stated that ‘the exercise is not solely cost driven’.

15. The evidence reviewed confirms that 6 suppliers completed the shopping basket exercise, which contained 6 product ranges. Our review of the shopping baskets shows that the other suppliers available products only catered for a limited selection.

██████████ was the only company to provide everything but fruit and vegetables.

16. On 17 December 2018 ██████████ emailed the CEO, chief financial officer (CFO) and director of HR, stating that he had done a ‘dip test’ and that ‘Following the tender process can I now propose that ██████████ be speedily presented as the preferred supplier’ for all but fruit and vegetables, which ██████████ would supply. There was no evidence of a clear rationale for choosing ██████████ over the other fruit and vegetables supplier. ESFA were provided with the completed shopping baskets for each supplier but have not been provided with evidence of the ‘dip test’, as such there is no clarity about how the trust chose their preferred suppliers or determined that value for money had been achieved.

17. ESFA review of the completed shopping basket exercise shows that, for the 3 product ranges where other companies submitted baskets ██████████ and ██████████ were more expensive across a number of products than their competitors suggesting other suppliers could have been utilised to reduce costs:

- on 18 December 2018 ██████████ emailed ██████████ to advise that they were successful
- on 20 December 2018 the trust board minutes noted that the trustee 1 did not attend the meeting although apologies were not received. The minutes record that ‘██████████ was to resign as a director of the academy trust as a consequence of a pending contractual arrangement between the trust and a

company for which he was a director. The chair contacted [REDACTED] during the meeting and confirmation of his resignation was received by the end of the meeting.'

18. Our review of the process has identified that trustee 1 was involved in the initial catering discussions and did not resign as trustee until after [REDACTED] had been notified that their tender was successful. Given the trust's clear intentions to enter into an agreement with [REDACTED], this demonstrates a conflict of interest.

19. In January 2019 the new catering arrangements went live. The trust stated that it has agreed to [REDACTED] standard terms of service. The trust explained that this was to allow for termination at any point, although there is no evidence of any arrangements in place to periodically review the prices and quality of service provided. It is common practise for trusts running an in-house catering provision not to sign any form of exclusive contract with a supplier but to sign up to supplier terms in order to keep the market as open as possible to ensure best prices and quality can be secured. Where a trust wishes to limit the number of suppliers, as the trust has done in this instance, there should be a full procurement exercise in line with the trust's procurement procedures.

20. We reviewed the trust's purchase ledger and noted the following expenditure with the suppliers:

- [REDACTED] £63,772.99 between 3 January 2019 and 14 June 2019
- [REDACTED] £28,506.18 between 4 January 2019 and 12 June 2019

The trust's tendering processes are clearly documented within the trust's financial procedures policy. The policy states that orders over £50,000 will be subject to formal tendering procedures and are to be approved by the finance committee with prior notification and agreement of the CEO, CFO and headteacher. There is no evidence of approval of this contract within the minutes of the audit committee meetings and no evidence that the catering manager's decision was reviewed by another person. The trust is therefore not compliant with their financial procedures policy.

21. In addition, review of the process to establish the new catering contract has also identified a number of breaches of the Academies Financial Handbook (AFH) 2018, including:

- 2.4.1 states that the academy 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
- 3.10.1 states that trusts must be even-handed in their relationships with related parties by ensuring that:



- trustees comply with their statutory duties as company directors to avoid conflicts of interest and to declare interest in proposed transactions or arrangements
  - no trustee uses their connection to the trust for personal gain
- 3.10.2 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 both real and perceived conflicts of interest, promoting integrity and openness in accordance with the 7 principles of public life.

## **Governance arrangements and structure**

22. Prior to our visit, we reviewed the governance structure in operation at the trust as identified in the 2017/18 financial statements. This was compared to records on the trust's website, Companies House and Get Information about schools (GIAS). We identified that the trust had 3 members at the time of the review, although the trust website listed 4 members. During the introductory conversation we were advised that one of the members had resigned recently. Article 9 of the trust's Articles of Association specifies that there should be 5 members. The trust was aware and is taking action to recruit additional members and now has 4 members.

23. Our review of the finance, audit and risk committee minutes, identified that the CEO is listed as a trustee present but did not make clear what the CEO's role was on the committee. The AFH states at 2.9.3, that employees should not be members of an audit committee but the accounting officer 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. Following the visit, the trust has provided information to confirm that the CEO and CFO do not have voting rights. The Terms of Reference and minutes of meetings should be clarified in this respect to avoid any misunderstanding.

## **Register of Interests**

24. We reviewed the current register of business interests, which is not dated, for all members, trustees and trust central employees. The following issues were identified:

- one trustee was appointed on 21 January 2019 but was not included on the register

- the chair of the finance, audit and risk committee (trustee 2) has no business interests listed on the register although he has completed and signed a declaration, confirming he is a director of [REDACTED] who are the trust's internal auditors

25. Review of the register of interests has confirmed that the trust has not complied with AFH 3.10.8, which states that 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, including:

- directorships, partnerships and employments with businesses
- trusteeships and governorships at other educational institutions

## Related Party Transactions

[REDACTED]

26. Trustee 2, who is also chair of the finance, audit and risk committee, is a designated member of [REDACTED]. Our review of the procurement process identified:

- 4 firms were invited to tender for the internal audit work plus financial due diligence prior to conversion. 4 tenders were received. There is a note of a meeting on 23 October 2017 to select the internal auditor
- evidence provided after the review includes an email dated 30 October 2017 from trustee 2 to the CEOs PA requesting some admin tasks, including 'send rejection letters to the other accountants (re the DD)'. This suggests that trustee 2 was involved in the tender process for the due diligence contract which was awarded to [REDACTED]
- trustee 2 was appointed as a trustee on 3 November 2017
- there was no letter of engagement for the internal auditor. This was requested on site and a copy was posted by [REDACTED] which arrived on 27 June 2019 and was not signed by the trust
- the minutes of the finance committee meeting on 24 April 2018 state that a tender process had been undertaken for the internal auditors and that a formal letter of engagement had not yet been received. Trustee 2 was present but no declarations of interest were noted. A declaration of interest was noted at the meeting of 28 February 2019

[REDACTED]

27. [REDACTED] were the trust's solicitors and were engaged to incorporate the trust and convert the schools. The chair of trustees is a designated member of [REDACTED]. Our review of the procurement process confirmed:

- the chair was appointed as a trustee on 30 March 2017
- there is evidence of 3 tenders being submitted in May 2017 but no invitation to tender. There is a note of a meeting between the CEO and some of the head teachers to decide which firm to appoint, but the note of the meeting is not dated
- there is a letter from [REDACTED] to the trust dated 1 June 2017 thanking the trust for instructing them and enclosing the terms of business, but no signed letter of engagement was available for review
- the minutes of the finance committee on 24 April 2018, of which the chair is a member, record a discussion about catering and supply teacher contracts and note that the trust would need legal advice. The minutes state that 'such legal support could be obtained from [REDACTED] as an extension to the existing instruction around conversion, incorporation and company structure. As the instruction was an extension to an existing contract the committee accepted the chair had no conflict of interest. For any future legal instruction a procurement process would be required.' ESFA review of expenditure relating to [REDACTED] confirmed that they did not provide any legal advice about the catering contract.

28. ESFA review of the above contracts has identified that there was no signed letter of engagement in place for [REDACTED] at the time of the review and there is evidence of inappropriate involvement in the procurement process by trustee 2. Review of the finance, audit and risk committee minutes has confirmed that potential conflicts of interest are not always declared appropriately during meetings.

29. Owing to the lack of contractual documentation and failure to consistently declare interests, ESFA consider this to be a breach of AFH 3.10.3 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 chair and accounting officer. The trust must keep sufficient records to show that transactions with these parties have been conducted with high standards of accountability and transparency.

## Procurement of consultants

30. Allegations were received about the appointment of contractors. We reviewed transactions relating to consultants to test compliance with the trust's financial procedures manual in relation to procurement. Our findings were as follows:

[REDACTED]

31. Information provided by the trust states that [REDACTED] was approached by the trust to 'lead and provide external quality assurance on a programme of moderated school reviews alongside CEO and existing head of school improvement'. Review of the evidence provided regarding the engagement of [REDACTED] identified:

- there was no formal procurement process for work undertaken between September 2018 and March 2019, including the role of acting school improvement director. An invitation to tender was subsequently issued in March 2019 for further work to commence in April 2019. Two tenders were received and [REDACTED] was awarded the contract

32. The total spend for [REDACTED] between 29 June 2018 and 27 March 2019, prior to the tender exercise being undertaken, was £32,300. The invoices are not dated but are itemised and we have noted the following fees were charged, some of which may be considered potentially irregular:

- £300 to attend a half day conference on 29 June 2018. There was not a trust-led event on that date and no further evidence was provided. [REDACTED] was only engaged by the trust from September 2018. The trust has subsequently confirmed that they paid for [REDACTED] to attend a teaching alliance event on the 7 and 8 June 2018. The invoice claim however records the incorrect dates and should have been corrected by the trust
- the full day rate was charged to attend the trust event on 19 October 2019
- 20 days at 'Galileo Office - there is no description of the work undertaken. The days include 27 March 2019, the date when the invitation to tender (ITT) was issued. [REDACTED] responded within 30 minutes suggesting prior knowledge of the ITT
- the total spend at the date of our review was £44,300, covering invoices dated 29 June 2018 to 23 May 2019. The consultant's rate is £500 per day

[REDACTED]

33. [REDACTED] provides consultancy services for Active Financial Planners, Trustee 3 is a managing director of this company, and has declared his interests. We requested all supporting documentation for [REDACTED] and were provided with copies of invoices totalling £3,727.50 and time sheets for the consultant. No further documentation was provided, but the expenditure was below the threshold that requires at least 3 quotes to be obtained.

[REDACTED]

34. Background research confirmed that [REDACTED] was previously employed by [REDACTED]. We requested all supporting documentation and were provided with copies of invoices totalling £7,650 and a copy of [REDACTED] terms and conditions for the supply of consulting services. No further documentation was provided.

35. ESFA review of all documentation provided in relation to the 3 consultancy contracts above, confirmed there is no evidence of any:

- business case for the consultancy support

- deliverables or performance measures for each consultant, or evidence of any evaluation of work delivered
- minutes to confirm the decision-making process behind each appointment

In addition, further evidence was not provided for specific contracts:

- timesheets for [REDACTED] and [REDACTED]
- signed contract or letter of engagement for [REDACTED] or [REDACTED]

36. Our testing confirms non-compliance with the trust's tendering processes which are documented within the trust's financial procedures policy. Not maintaining an audit trail of paperwork to support spending decisions and transactions means that a trust cannot show compliance with the AFH 2.4.1, which states in respect of purchasing that the academy 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

## Purchasing card expenditure

37. The trust's purchasing card policy, dated September 2018, allows low value/one off purchases up to £500. The purchasing card is the trust's preferred method to pay for travel and accommodation. Our findings in relation to this type of expenditure are as follows:

### Hospitality

38. The trust's expenses policy states at 3.1.18 that 'hospitality events must include an individual external to the MAT e.g. trainers, examiners, visitors or business contacts and cannot include just MAT employees' and 'the expectation of one MAT employee for each guest.' From the sample of purchasing card transactions tested, we noted the following expenditure on hospitality:

- 13 purchases of food for executive team, staff and other meetings totalling £316.99
- 2 purchases of food totalling £56.55 which were not in line with trust policy as there were no receipts or missing receipt declaration and the monthly purchasing card log had not been completed for one item
- £61.19 cakes and refreshments for 5 people at a cafe

39. For all of the purchases above there was no supporting documentation to indicate if external persons were present resulting in breach of the trust's expenses policy. In addition, we have noted the following expenditure:

- an unitemised receipt of £72.30 for a meeting with [REDACTED] at a restaurant on 23 April 2018

Purchasing card expenditure should be supported by itemised receipts in order to demonstrate compliance with the trust's expenses and card usage policies. The trust must also be able to demonstrate that funds have been used for the purposes intended, as required by AFH 2.4.

## Gifts

40. The trust policy allows purchases of gifts up to £100. The policy stated gifts under £30 do not need to be recorded on the register. At the time of our visit there was no evidence of a gifts and hospitality register as required by the trust's policy and the AFH 3.9.1. ESFA are aware a register has been put in place since our visit. From the sample of purchasing card transactions tested we noted the following expenditure on gifts:

- thank you presents for all heads and school staff for end of year 2018 at a total cost of £350
- 6 purchases of flowers totalling £162.98  
[REDACTED]
- 2 thank you gifts for staff of [REDACTED], who have provided training for the trust, including:
  - the purchase of a £50 gift card which is strictly prohibited by the trust's anti-bribery policy. Although a note was provided to explain the deviation from policy, ESFA does not consider the reasoning to be sufficient justification
  - £30 gift set including alcohol, purchased 11 May 2018. This is a breach of the academies accounts direction 2017/18 section 9.1.22 which confirms expenditure on alcohol is irregular
- a gift for [REDACTED] costing £139.20, including alcohol worth £63, purchased 27 March 2018

## Other expenditure

41. We also noted the following purchasing card transactions:

- a laptop and case for [REDACTED] (see paragraphs 31 to 32) at a total cost of £748.99, purchased 6 December 2018, which is above the transaction limit allowed by the purchasing card policy
- a leather MacBook case for the CEO, which was ordered from America at a total cost of £86.82, including free personalisation
- expenditure of £229.50 at [REDACTED]. The receipt was obtained retrospectively by the finance team and states that this was for a training course for 3 counsellors/therapists who were not trust employees. The expenditure was

recorded against the account for the counselling service, which provides support to the trust free of charge

42. We found a number of instances of non-compliance with the trust's policies in relation to purchasing card expenditure, particularly in relation to gifts and hospitality. The trust's policies do not cover expenditure on alcohol, however, section 9.1.22 of the academies accounts direction 2017/18, specifies that ESFA's analysis of irregularity within academy trust accounts from previous years identifies a number of common themes, which accounting officers and reporting accountants should consider. The areas include:

- irregular expenditure not for the purpose intended eg excessive gifts and alcohol

43. We also found that the trust has not complied with the AFH in respect of gifts, as 3.9.1 specifies that trusts must have a gifts register and when making gifts, the trust must ensure the value is reasonable, the decision is documented, and achieves propriety and regularity in the use of public funds.

## Travel and expenses

44. The trust has a travel and expenses policy which allows the following:

- first class travel for trustees and the executive team if the journey is over an hour
- £200 per night hotel in London, £100 elsewhere
- taxi fares where it is not reasonable to use public transport or travel on foot. Taxi costs will be paid for journeys at anti-social hours where staff normally use public transport

45. We reviewed a sample of expenses transactions during the purchasing card testing and noted the following:

- a hotel stay outside London over the £100 limit, although the CEO has reimbursed the excess of £18 since the review
- we sampled 23 taxi journeys totalling £401.54 taken in London by the CEO, 6 of these journeys, totalling £102.04 were shared with one other member of trust staff. 18 of the 23 journeys were between 08.00 and 18.00. There was no written agreement from the chair or trust board on file to support the use of taxis rather than public transport

46. The CEO did not have her own card until January 2019 and used her PA's card to pay for taxis in London. Section 9 of the purchasing card policy specifies that cardholders should not allow other members of staff to use their card and should not tell anyone their card PIN.



47. We also reviewed non-purchasing card expenses and payroll expenses and noted that controls generally appear to be working adequately. Although the following breaches were noted on non-payroll expenses which did not have supporting receipts and were over the £50 limit to be claimed through non-payroll expenses:

- 2 London hotel stays costing £188 and £180 respectively although copy invoices have been provided since the review
- £51.45 in January 2019 for lunch and refreshments for a trustee meeting, which does not comply with the trust's expenses policy on hospitality as no external person was present

## Recruitment

48. Allegations were raised that the trust's recruitment processes may not be in line with best practice. The trust has a recruitment and selection policy which meets expectations. We reviewed the recruitment processes and supporting documentation for the CEO post and the trust central team, 11 employees in total.

49. In relation to the appointment of the CEO we noted:

- the CEO was previously the executive head teacher of St Bede's Primary Catholic Voluntary Academy in Redcar and Director of the Landmark Teaching School Alliance. The CEO was appointed in January 2018 but was interviewed in May 2018

50. During a routine assurance review undertaken by ESFA in October 2018 it was noted that the CEO had been appointed by the trust board and that the appointment was approved and minuted at the trust board meeting of 5 June 2018. The 5 June 2018 minutes provided during the October 2018 review included a line to confirm the ratification of the appointment of the CEO. The minutes of the same meeting provided on site for the current review did not include the statement to approve the appointment of the CEO. The trust has subsequently advised the draft minutes were incorrectly provided during our visit and that the final minutes were those provided for the review in October 2018. Record keeping should ensure appropriate version control is in place to avoid this.

51. In relation to other trust central team staff we noted:

- 5 out of the other 10 central employees were known to either the CEO or a trustee; 3 previously worked at St Bede's Primary Academy where the CEO was executive head teacher, one worked for [REDACTED] and one was the area manager for [REDACTED] ([REDACTED]). For 4 of these roles only one person was interviewed and appointed, and 2 people were interviewed for the remaining role
- the director of HR and CEO's PA were invited to interview prior to, or on the closing date on the advert



- the remaining 5 central employees do not have any identifiable connection to either the CEO or to trustees; for each of these positions between 2 and 4 people were interviewed

52. During the site visit we reviewed the recruitment files for each of the 11 central posts and noted:

- 5 of the 11 files did not contain evidence of 2 references as required by trust policy; one file had one reference and 4 had no references
- for 4 of the 11 files there was no evidence of an application form
- for 3 of the 11 files there was no evidence of interview packs
- the trust was not able to provide evidence to confirm when the job adverts were placed on their website

53. The trust has provided some additional documentation since the review, including:

- 5 additional references covering 4 posts, although 2 of these were provided by the CEO for staff that had worked for her in a previous role. 3 posts do not have the required number of references
- an application form for the finance business partner. There are 3 files without evidence of an application form
- an email to confirm when the trust asked IT support to upload the advert for the director of HR post to the trust website
- copies of tweets advertising posts on the trust's website

However, there remains a number of posts without the required documentation as stipulated by the trust's financial policy.

54. The trust has not complied with its own recruitment and selection policy and cannot demonstrate best practise as defined in the Department's guide to recruitment and selection of a head teacher and other leadership roles. This is a guide to help governors and trustees make effective decisions when recruiting and selecting head teachers and other school leaders, in respect of a fair and open process.

## **Trust top slice and central expenditure**

55. Allegations were raised in relation to the management of the trust's central budget, the level of top slice and concerns that other funds may be used to support to the trust's central costs (paragraphs 68 to 69 refer). During the review we noted that the trust's central budget had an in-year deficit of £56,830 at the end of 2017/18. During the introductory conversation the CFO explained that this was due to start-up costs for the new finance system and training for school finance staff. The CFO also explained that, following instruction from trustees, the trust had forecast an in-year surplus of £44,000 for the central budget at the end of 2018/19 to offset the deficit at the end of 2017/18. At the time of the review, the trust was forecasting an in-year deficit of £74,000 for the central

team budget. the CEO explained that this is due to the departure of the head teacher of one of the schools and that the trust's director of school improvement was temporarily covering that position. As a result, further consultancy support had been procured from [REDACTED] to support the trust's school improvement work.

56. During the review we also noted that the trust does not have a formal process for academies to appeal against the level of the topslice or central charges. Although this has been put in place since the review the trust was in breach of the AFH 3.7.3 which states that academy trusts must consider the funding needs of each academy and must have an appeals mechanism so that an academy principal can appeal if they feel that they have been unfairly treated.

## Value for Money

### Meeting expenditure

57. During a review of trust board minutes we noted that the meeting of 19 October 2018 was held at a local hotel. The hotel's website states that it is 'a five star luxury golf and spa hotel'. The trust central team is based in an office suite and has access to meeting rooms on site. We reviewed all expenditure for this event and also sampled expenditure at other local hotels and conference venues, we identified:

- an invoice for a total of £1,750 for 19 October 2018, including:
  - £1,575.00 for 'New Hall Day Delegate Rate'
  - £175.00 for 'Conference Tea & Coffee'
  - the trust provided inconsistent information about the number of delegates; the invoice was for 35 delegates but we were provided with a list of 25 attendees. The CEO stated, and later confirmed by email, that 'approximately 75 delegates' had attended in the afternoon although there was no supporting evidence to confirm this
- an invoice for a total of £405 for 22 March 2019 for the central team to attend an off-site meeting for a team building day and presentation of the trust's strategic plan
- an invoice of £1,476 for another local venue for the trust launch event held on 19 April 2018, including:
  - £1,000 for the grand marquee
  - £476 for a glass of orange juice per guest, number of guests is not specified although this was a larger event for all trust and school staff to celebrate the launch the trust

58. In relation to hiring meeting venues, there was no documented rationale for the expenditure. Some of these costs do not always represent value for money as the trust has access to meeting rooms on site and the numbers attending could be

accommodated within those. The AFH 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
- spending decisions represent value for money

## Marketing expenditure

59. Allegations were received in relation to the trust advertising in a local lifestyle magazine called [REDACTED]. The [REDACTED] website states that the magazine is a 'combination of high fashion, on-trend interiors and the best in food, travel, beauty, motoring and more'. There was no obvious link for school advertising. A tweet by the trust about an article in the May/June 2019 issue of [REDACTED] featured interviews with the CEO and chair. The interviews focus on them personally rather than on their role within the trust.

60. During the review we were provided with an invoice dated 27 March 2018 for £3,236.44 covering one half-page advert and 5 quarter page adverts between July/August 2018 and May/June 2019. The review team was also provided with copies of 5 adverts. The CEO stated that the final advert had not been placed due to a misunderstanding about the deadline to place adverts, but negotiations were ongoing to place an advert in a later issue.

61. The CEO explained that the trust chose [REDACTED] over other local publications as they felt it reached a wider audience and was more suited to promoting the trust to local parents, in addition to attracting trustees with a business background. However, we were not provided with a documented rationale for choosing this publication prior to the trust committing expenditure. Information provided since the review shows that alternatives are available which may be more relevant to their target audience and therefore provide better value for money. The trust has therefore not been able to demonstrate that this expenditure provides value for money. The AFH states at 2.4.1 that the academy trust must ensure that:

- spending decisions represent value for money

## Cleaning contract

62. Allegations were received in relation to cleaning contracts at a number of the schools. We reviewed all expenditure for [REDACTED] and supporting invoices and confirmed that only 2 schools had cleaning contracts with [REDACTED], which were in place prior to conversion.

63. During the review of expenditure for [REDACTED] we noted another invoice dated 30 November 2018 for £14,427 for 'building maintenance to refurbish 3x classrooms as

per instructions from ██████████ CEO Galileo Trust' at Galley Hill Primary School. Minutes from the finance, audit and risk committee of 3 October 2018 record that the CEO confirmed that she 'had engaged ██████████ to carry out an audit on behalf of the academy trust. There was no initial cost to the trust. Following extensive building work to increase the school's capacity all new classrooms must be completed in order to admit up to the new admission limit for September 2019. Presently no new teaching spaces were complete. An amount of £14,000 was held by the school to undertake the necessary work.'

64. There is no evidence of 3 written quotations being requested for the maintenance work/audit in line with the trust's financial procedures policy. This is also a breach of the AFH, which states in respect of purchasing 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
- spending decisions represent value for money
- internal delegation levels exist and are applied within the trust

## Christmas party

65. We requested a cheque report from the trust's finance system and selected a sample of individual cheque payments to review. We noted the following:

- a cheque for £907.95 dated 10 December 2018 for 'Yarm Event'. The receipt shows that this is for a local restaurant and included expenditure of £241.65 on alcohol
- this was for a Christmas meal on 7 December 2018 that was attended by some of the trust central team and trustees. The bill was not paid on the evening of the meal, resulting in the trust paying by cheque on the next working day
- an email was sent to all attendees requesting payment on the same day that the cheque was presented to the restaurant
- a spreadsheet showing monies received by the trust to cover the cost of the meal. This showed that there is still an outstanding amount of £55.05 and at the time of the review, no monies had been received from the chair

66. Academy funds were used to pay for the Christmas meal, which included alcohol, although, all but £55.05, had been reimbursed at the time of the review. The outstanding monies have been received since the review. The AFH 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

67. In addition, section 9.1.22, of the academies accounts direction 2017/18, specifies that ESFAs analysis of irregularity within academy trust accounts from previous years identifies a number of common themes, which accounting officers and reporting accountants should consider. The areas include:

- irregular expenditure not for the purpose intended eg excessive gifts and alcohol

## **Allegations not upheld**

### **English hub**

68. Allegations were received relating to the potential misuse of English hub funding provided by the Department for Education (DfE) to one of the trust's schools, Westgarth Primary School. During the review we noted that minutes of the finance, audit and risk committee meetings of 3 October 2018 and 28 February 2019 recorded discussions about holding the English hub fund centrally and about offsetting the head of English salary against this funding.

69. We were provided with a breakdown of income and expenditure for the English hub which showed that Westgarth Primary School had retained management of the grant and that the head of English salary had not been funded from English Hub grant. There is no evidence to suggest that the English hub grant has not been spent in line with the conditions of grant.

### **Conference expenditure**

70. Allegations were received in relation to expenditure for a guest speaker at an event. Prior to the visit, we undertook some background research and noted a tweet by the trust about an event on 7 June 2018 where the CEO had interviewed [REDACTED]. We requested further information about this event and noted that 2 invoices totalling £20,062.55 were originally addressed/sent to the trust for payment. Analysis of the trust's purchase ledger report and discussions with the CFO confirmed that no payment has been made from trust funds and that the invoices were forwarded on to The Landmark Teaching School Alliance for payment.

## Conclusion

71. Our review identified a number of breaches of both the trust's policies and the AFH, including weak internal controls in respect of procurement, recruitment and selection processes not being in line with policy and best practise. the review has highlighted a number of areas for improvement which need to be addressed to prevent any future potential loss or further value for money concerns.

72. The trust needs to take urgent action to resolve the issues, including giving greater consideration of the robustness of financial management and governance arrangements. The trust may benefit from a further independent financial management and governance review once the required improvements, highlighted at Annex A, are in place. 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.

	Finding	Breach of AFH / framework	Recommendation
<b>Catering contract</b>			
1.	The trust has not complied with its financial procedures policy when procuring a new catering contract.	<p>Non-compliance with the trust's financial procedures policy in respect of procurement. This is also a breach of the AFH, which states in respect of purchasing at 2.4.1, that the academy trust must ensure that:</p> <ul style="list-style-type: none"> <li>• spending has been for the purpose intended and there is probity in the use of public funds</li> <li>• spending decisions represent value for money</li> <li>• internal delegation levels exist and are applied within the trust</li> </ul>	The trust must ensure that it complies with the AFH requirements to have adequate procurement controls in place. Also, so that it can demonstrate compliance with its financial procedures manual and scheme of delegation.
2.	Trustee 1 was involved in the initial catering discussions and did not resign as trustee until after [REDACTED] had been notified that their tender was successful. Given the trust's clear intentions to enter into an agreement	This is a breach of the AFH at 3.10.1, which states that trusts must be even-handed in their relationships with related parties by ensuring that:	The trust must ensure that it complies with AFH requirements in respect of related party transactions and avoiding conflicts of interest.

	<p>with [REDACTED], this demonstrates a conflict of interest.</p>	<ul style="list-style-type: none"><li>• trustees comply with their statutory duties as company directors to avoid conflicts of interest and to declare interest in proposed transactions or arrangements</li><li>• no trustee uses their connection to the trust for personal gain</li></ul> <p>Also 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 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 both real and perceived conflicts of interest, promoting integrity and openness in accordance with The 7 principles of public life.</p>	
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<b>Governance arrangements</b>			
3.	Our review of the finance, audit and risk committee minutes, identified that the CEO is listed as a trustee present and it was therefore not clear what the CEO's role was on the committee. The trust has since confirmed that the CEO and CFO do not have voting rights.	The AFH states at 2.9.3, that employees should not be members of an audit committee but the accounting officer 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.	The trust should clarify the role of the CEO and CFO within the minutes and terms of reference to avoid any misunderstanding or confusion.
4.	The trust only had 3 members at the time of the review. It was noted that one of the members had resigned recently. The trust was aware and is taking action to recruit additional members and now has 4 members.	Article 9 of the trust's Articles of Association specifies that there should be 5 members.	The trust must seek to appoint new members to ensure compliance with its articles.

<b>Related party transactions</b>			
5.	We found that the register of business interests on the trust's website is not complete.	This is a breach of AFH 3.10.8, which states that 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.	The trust must ensure that it complies with the AFH requirements and updates the register of business interests.
6.	We also found that conflicts of interest are not always declared or recorded correctly during trust board and committee meetings.	This is a breach of AFH 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 chair and accounting officer. The trust must keep sufficient records to show that transactions with these parties have been conducted with high standards of accountability and transparency.	The trust must ensure the conflicts of interest are carefully considered and managed during trust board and committee meetings.

<b>Procurement of consultants</b>			
7.	<p>The following evidence was not readily available during our review:</p> <ul style="list-style-type: none"> <li>• business case for consultancy support</li> <li>• details of tendering process followed</li> <li>• minutes to confirm the decision-making process behind each appointment</li> <li>• signed contract or letter of engagement</li> <li>• deliverables or performance measures for each consultant, or evidence of any evaluation of work delivered</li> <li>• timesheets for the consultants</li> </ul>	<p>The trust has not complied with its financial procedures policy in respect of procurement. This is a breach of the AFH, which states in respect of purchasing at 2.4.1, that the academy trust must ensure that:</p> <ul style="list-style-type: none"> <li>• spending has been for the purpose intended and there is probity in the use of public funds</li> <li>• spending decisions represent value for money</li> <li>• internal delegation levels exist and are applied within the trust</li> </ul>	<p>The trust must ensure that it complies with the AFH requirements to have adequate procurement controls in place. Also, so that it can demonstrate compliance with its financial procedures manual and scheme of delegation.</p> <p>The trust should therefore maintain appropriate records to demonstrate the procurement process that was followed and evidence of the decision to award the contract. The trust should also obtain signed contracts/letters of engagement for all such arrangements and have measures in place to oversee the performance of the consultants to ensure that work is being delivered.</p>
<b>Purchasing card and expenses</b>			
8.	<p>Hospitality – we found a number of purchases of food for meetings where there was no evidence of an external person present. In addition, there were some purchasing card transactions that were not supported by itemised receipts.</p>	<p>This is a breach of the trust’s expenses policy and also, on some occasions, non-compliance with the trust’s credit card policy.</p>	<p>The trust should document the reason for providing hospitality on the monthly credit card log/expenses claim.</p> <p>Purchasing card expenditure should be supported by itemised receipts in order to demonstrate that funds have been used for the purposes intended.</p>

9.	<p>Gifts – we found that the trust does not have a gifts register in place although this has been put in place since the visit.</p> <p>We also identified 2 gifts that did not comply with the trust’s gifts policy, one of which included alcohol.</p> <p>We identified another gift that included alcohol.</p>	<p>This was a breach of the AFH, which states at 3.9.1, that trusts must have a gifts register and when making gifts, the trust must ensure the value is reasonable, the decision is documented, and achieves propriety and regularity in the use of public funds.</p> <p>Section 9.1.22 of the academies accounts direction 2017/18, specifies that ESFA’s analysis of irregularity within academy trust accounts from previous years identifies a number of common themes, which accounting officers and reporting accountants should consider. The areas include:</p> <ul style="list-style-type: none"> <li>• irregular expenditure not for the purpose intended eg excessive gifts and alcohol</li> </ul>	<p>The trust must ensure that gifts are recorded on the gifts register and that all gifts comply with the trust’s policy.</p> <p>The trust should also consider the financial limits set out in the gifts policy following updated guidance in the academies accounts direction.</p>
10.	<p>Travel and expenses – we found the following:</p> <ul style="list-style-type: none"> <li>• a number of taxi journeys that did not comply with the expenses policy but no written agreement from the</li> </ul>	<p>The trust’s expenses policy is not being fully complied with in relation to hotel and taxi fares.</p> <p>Section 9 of the purchasing card policy specifies that cardholders</p>	<p>The trust must ensure that staff expense claims are made in accordance with their financial procedures manual, expenses policy and purchasing card policy.</p>

	<p>chair or trust board on file to agree deviation from policy</p> <ul style="list-style-type: none"> <li>the CEO did not have her own card until January 2019 and used her PA's card to pay for taxis in London</li> </ul> <p>We also reviewed non-purchasing card expenses and payroll expenses and noted that the following breaches:</p> <ul style="list-style-type: none"> <li>2 hotel stays that exceeded the threshold for expenses claims and were not supported by receipts</li> <li>a receipt for a trustee meeting at a café with no evidence of attendance by an external person</li> </ul>	<p>should not allow other members of staff to use their card, and should not tell anyone their card PIN.</p>	<p>Claims should be rejected if they haven't been properly authorised, are not supported by legible receipts and contain irregular expenditure, to ensure that compliance with the AFH in relation probity in the use of public funds can be demonstrated.</p>
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**Recruitment**

11.	<p>The trusts recruitment practises in operation are not compliant with their own recruitment and selection policy. They also do not represent best practise as defined in the Department's guide to recruitment and selection of a head teacher and other leadership roles.</p>	<p>The trust has not complied with its own recruitment and selection policy and cannot demonstrate best practise as defined in the Departments guide to recruitment and selection of a head teacher and other leadership role.</p>	<p>The trust must ensure that it complies with its recruitment and selection policy, that they have due regard to best practise and that its recruitment and selection processes do not discriminate, in line with the Equality Act 2010.</p>
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<b>Value for money</b>			
12.	There are some instances of conference expenditure and marketing expenditure which may not represent value for money.	<p>The AFH states at 2.4.1 that the academy trust must ensure that:</p> <ul style="list-style-type: none"> <li>• spending has been for the purpose intended and there is probity in the use of public funds</li> <li>• spending decisions represent value for money</li> </ul>	The trust must ensure that it can demonstrate that spending decisions represent value for money.
<b>Cleaning contract</b>			
13.	During the review we noted an invoice dated 30 November 2018 for £14,427 to refurbish classrooms at one of the primary schools. There is no evidence of 3 written quotations being requested in line with the trust's financial procedures policy.	<p>The trust has not complied with the tendering processes which are clearly documented within the trust's financial procedures policy.</p> <p>This is also a breach of the AFH, which states in respect of purchasing at 2.4.1, that the academy trust must ensure that:</p> <ul style="list-style-type: none"> <li>• internal delegation levels exist and are applied within the trust</li> <li>• a competitive tendering policy is in place and applied</li> </ul>	The trust must ensure that it complies with the AFH requirements to have adequate procurement controls in place. Also, so that it can demonstrate compliance with its financial procedures manual and scheme of delegation.

**Christmas party**

14.	Trust funds were initially used to pay for the trust Christmas party. These had been largely reimbursed at the time of the visit, and the one outstanding contribution has been received since.	<p>This is a breach of the AFH, which states at 2.4.1, that the academy trust must ensure that:</p> <ul style="list-style-type: none"><li>• spending has been for the purpose intended and there is probity in the use of public funds</li></ul> <p>In addition, section 9.1.22, of the academies accounts direction 2017/18, specifies that ESFA's analysis of irregularity within academy trust accounts from previous years identifies a number of common themes, which accounting officers and reporting accountants should consider. The areas include:</p> <ul style="list-style-type: none"><li>• irregular expenditure not for the purpose intended eg excessive gifts and alcohol</li></ul>	For future events of this nature, the trust should ensure that payment arrangements are agreed in advance to protect trust funds from being used inappropriately.
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