



Department
for Education

Glendene Arts Academy investigation report

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XDIAS Cross Departmental Internal Audit Service
Internal Audit Investigation Team, Department for Education

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Introduction

1. A whistle-blower (WB) and, later, [REDACTED] [REDACTED] at the academy reported concerns to the EFA and IAIT. The concerns related to the use of academy funding to pay the salaries of employees and other costs of another company, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED], with the agreement of the Chair of Governors, [REDACTED] [REDACTED], and the Principal of the academy, [REDACTED] [REDACTED]. The issues were also identified by the academy's accountants whilst completing the account statement to 31/03/13. Following triage by IAIT it was agreed that IAIT would undertake an investigation.

2. Terms of reference for the investigation were agreed with the EFA lead officer, [REDACTED] [REDACTED]. [REDACTED] [REDACTED] provided the EFA day to day contact. The investigation was undertaken by [REDACTED] [REDACTED] and [REDACTED] [REDACTED] under the overall direction of [REDACTED] [REDACTED], Head of Investigations.

3. Prior to the investigation starting, governors of the academy reported the matter to the police, who we understand are investigating the case. In view of this we have not spoken to the Chair, who has now resigned, or the Principal, [REDACTED] [REDACTED] [REDACTED].

Background

4. Glendene Arts Academy is an academy converter special school which opened on 1 September 2012. The current Principal of the academy is [REDACTED], [REDACTED], and the Chair of Governors was [REDACTED], who resigned on 31 July 2013. [REDACTED] had been Chair since September 2012, prior to this [REDACTED] was the Chair.

5. [REDACTED] stands for the [REDACTED] and was incorporated on 20 January 2011. Directors of the company recorded at Companies House are [REDACTED] ([REDACTED] of the Principal), [REDACTED] (former Chair of the academy) and [REDACTED]. Companies House records show that the one share issued for [REDACTED] is owned by [REDACTED]. In documentation relating to [REDACTED], [REDACTED] is referred to as the CEO.

6. [REDACTED] is recorded as a resigned director of the company (she resigned the same day as she was appointed), we believe she is the formation agent for the company and has never been actively involved with it.

7. The academy's accountants, [REDACTED], are in the process of examining documentation and financial information collected by academy staff from [REDACTED] office premises in Sunderland. During our visit to the academy we had the opportunity to review this documentation.

8. We have recently been informed that further documentation has been found by the academy in [REDACTED] premises that raises further concerns with practices at the predecessor school. Since these issues were prior to conversion to the academy they are for the academy to investigate.

Management summary

9. We were informed that the original intention in setting up [REDACTED] [REDACTED] may have been to generate income (in the form of fund raising, donations or provision of training) for the academy, however this has not happened. Instead the set-up has resulted in the academy subsidising [REDACTED] [REDACTED] by paying staff salaries and other costs amounting to £162,729.38. We cannot identify any discernible benefit for the academy in this arrangement; it has resulted in the loss of over £162,000 that should have been used for the benefit of the academy pupils.

10. The academy has also lost additional income such as that generated from fundraising and donation. We cannot put accurate figures on the potential loss to the academy in relation to fundraising and donations but we did identify:

- The Glendene Arts College fundraising account had a balance of £6,847.19 in July 2010 when it was taken over by [REDACTED] [REDACTED]. In January 2013 the balance was £1,271.38.
- Between September 2012 and April 2013 donations and fundraising entered in [REDACTED] [REDACTED] cash book amounted to £1,750.82.

11. Although the work undertaken by [REDACTED] [REDACTED] may have started as training, fundraising and obtaining donations as we were informed there is evidence that a key focus of its activity was the development of post 19 provision that would be undertaken by a company called [REDACTED] [REDACTED] [REDACTED]. The Principal, [REDACTED] [REDACTED], [REDACTED] [REDACTED], [REDACTED] [REDACTED] and the Commercial Manager for [REDACTED] [REDACTED], [REDACTED] [REDACTED], are all directors of this company. At a Governing Body (GB) meeting in July 2013 [REDACTED] [REDACTED] informed other governors that the post 19 provision was nothing to do with [REDACTED] [REDACTED] or the academy but was what he intended to do when he retired. However documentation retrieved from [REDACTED] [REDACTED] offices shows that [REDACTED] staff were working on the post 19 provision and had been doing so for a number of years.

12. [REDACTED] [REDACTED] staff had contracts with the academy and from 19 July 2013 have been taken back to work at the academy. The academy accountants are currently reviewing documentation and financial information obtained from [REDACTED] [REDACTED] and will be able to advise the academy if there are funds left in the company. The academy will need to determine what action it needs to take to find out if it has any right to funds remaining in the company.

13. We also raise concerns in this report about procurement practices at the academy, particularly in the letting of the contract for facilities management. The academy's own procurement policy has not been followed in the letting of this contract and the award to the supplier was made under "Chair's emergency powers". We do not understand why a decision of this nature was made under "Chair's emergency powers", particularly as it

appears from information included in the report that the Chair, [REDACTED] [REDACTED], knew the owner of the company that was awarded the contract. If this was the case [REDACTED] [REDACTED] should have had no involvement in the letting of the contract.

14. [REDACTED] [REDACTED] is the Principal of the academy and [REDACTED] [REDACTED] was Chair of the GB. Both had business interests that should have been declared at the start of the academic year when declarations of business interest forms were completed and also at the start of each GB meeting when declarations of business interest are declared. However the only interest that was declared was [REDACTED] [REDACTED] employment at [REDACTED] [REDACTED]. As Accounting Officer [REDACTED] [REDACTED] responsibilities are:

- To take personal responsibility for the propriety and regularity of public funds;
- To keep proper accounts;
- To ensure prudent and economical use of all resources;
- To avoid waste and extravagance;
- To ensure value for money;
- To ensure effective and efficient use of resources.

15. With the funding that has been spent on [REDACTED] [REDACTED], the failure to declare business interests and follow appropriate procurement practices we assess that [REDACTED] [REDACTED] has failed to discharge these responsibilities.

Findings

Ownership of [REDACTED] [REDACTED], Relationship with the Academy and Work Undertaken

Prior to Conversion to Academy

16. [REDACTED] [REDACTED] was set up when the academy was a maintained school. As stated earlier the directors and shareholders of [REDACTED] [REDACTED] are:

- [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] – director;
- [REDACTED] [REDACTED] (Chair of the academy) - director; and
- [REDACTED] [REDACTED] – director and shareholder.

17. Governors we have spoken to stated that [REDACTED] [REDACTED] was originally set up with the intention of providing a dividend for the academy and providing funds for use by the academy. In [REDACTED] documentation we were able to review there is a document titled “guidelines for funding” that appears to have been sent by email to the academy’s Business Manager (BM) copied to [REDACTED] [REDACTED] [REDACTED] [REDACTED] on 03/03/2011. The document sets:

- What projects [REDACTED] [REDACTED] will undertake (e.g. various training, fundraising, mini bus hire, rag bag recycling, room rent);
- Where income generated from these activities will be banked ([REDACTED] account or Art College account (for room rental and VAT reclaim on rent));
- What school funds will be transferred to [REDACTED] [REDACTED] (Arts College account funds);
- That [REDACTED] [REDACTED] will pay the academy a dividend each year from money generated and academy staff will be able to request funding based on individual bids for non-curriculum items or activities;
- That the academy will hold the one allocated share but overall responsibility for the business will lie with the directors;
- Internet, phone line, monthly telecoms charges, printer consumables and all calls will be paid for via the academy’s budget;
- [REDACTED] [REDACTED] offices at [REDACTED] is an extension of the academy – the offices and its facilities are already accessed by school staff on a regular basis and will continue to do so as and when the room is required.

18. It is not clear whether this document was shared with the GB. We have seen references to a presentation on [REDACTED] [REDACTED] at the 16/03/11 GB meeting when [REDACTED] [REDACTED] gave a presentation. The minutes record that the topics

discussed were purpose, training offered, where situated, proposed logo, dividends and bids, price list and bookings, on-going vision and goals. It was recorded that governors wanted regular updates on [REDACTED] [REDACTED] but is it not clear if they were informed that staff and other costs would be paid by the academy.

19. Minutes of other GB meetings prior to academy status do include updates on [REDACTED] [REDACTED]. A list of priorities for 2011/12 in the Head teacher's report to the 05/10/11 GB meeting includes priorities for fund raising, community and admin where [REDACTED] [REDACTED] is mentioned. Also included in this report is a staff list for the academy. Under the Business Team, [REDACTED] [REDACTED] is shown as the Commercial Manager and [REDACTED] [REDACTED] is shown as the Project Manager.

20. However the current Vice Chair, [REDACTED] [REDACTED], joined the GB after [REDACTED] [REDACTED] was established. He was taken to [REDACTED] [REDACTED] offices by [REDACTED] [REDACTED] and said that he came away from the visit with the impression that it was a separate company. He was not aware that the academy was paying the salaries of staff working at [REDACTED] [REDACTED].

21. We have also seen some documents produced by [REDACTED] [REDACTED] staff such as [REDACTED] updates and minutes of the annual general meeting held on 24/10/12. One of these documents is headed "Report to the Governing Body"; it gives the academy name and states "Autumn Term 2011". This report states "it is anticipated that following the audit of the first year's accounts we will be in a position to offer a dividend to Glendene School and we would like to seek funding bids from the school following the above audit". The report had [REDACTED] [REDACTED] name on it and a title for him of "CEO for and on behalf of [REDACTED] [REDACTED] [REDACTED] [REDACTED]. It is not clear whether this report was shared with the GB – reference to [REDACTED] [REDACTED] in the minutes of the 05/10/11 meeting state that "[REDACTED] [REDACTED] [REDACTED] reported on his visits to the school informing Governors of the work being carried out by the [REDACTED] [REDACTED] [REDACTED]".

Post Conversion to Academy

22. We were not able to obtain a copy of the academy's application to convert during the investigation to identify if [REDACTED] [REDACTED] is referred to however the "Project Lead to Academy Liaison Officer Handover Brief" does not mention [REDACTED] [REDACTED]. Subsequent checking by EFA of the application to convert confirmed that there is no mention of [REDACTED] [REDACTED].

23. We spoke to the solicitor who dealt with the academy conversion, [REDACTED] [REDACTED], who subsequently became a governor at the academy but resigned on 31/07/13. [REDACTED] [REDACTED] was unaware that the academy was paying the salaries for the staff working at [REDACTED] [REDACTED]. She was informed by [REDACTED] [REDACTED] that the academy was the shareholder of [REDACTED] [REDACTED] but when she obtained Companies House information [REDACTED] [REDACTED] was recorded as the

shareholder. [REDACTED] [REDACTED] view was that this was not unusual as the share may have been transferred to [REDACTED] [REDACTED] by the formation agents but the beneficial interest could still be owned by the academy.

24. During the conversion work [REDACTED] [REDACTED] stated that in discussions with the LA it was clear they were aware of [REDACTED] [REDACTED]. Also [REDACTED] [REDACTED] was happy to transfer the share. The shareholding could have been transferred to the predecessor school and then transferred to the academy but the decision was taken to transfer the shareholding after converting to academy status. [REDACTED] [REDACTED] provided a report to the GB dated 21/08/12 that included "the company [REDACTED] [REDACTED] [REDACTED] [REDACTED] is not listed as an asset to transfer since the share is held by the governing body and the Local Authority have confirmed that we can deal with the transfer of the share of this company direct. We will provide the necessary paperwork to transfer the share to the academy for this to be completed prior to conversion". However at that time the share was not recorded as being held by the GB. [REDACTED] [REDACTED] stated that she provided the forms to do the transfer to [REDACTED] [REDACTED] and [REDACTED] [REDACTED], the business manager. [REDACTED] [REDACTED] stated that she did not receive any forms.

25. The annual return filed by [REDACTED] [REDACTED] in January 2013 still records [REDACTED] [REDACTED] as the sole shareholder.

26. Since becoming an academy, GB minutes still have references in them to [REDACTED] [REDACTED] but little information is recorded. We have not seen any evidence that finances of [REDACTED] [REDACTED] or how it was being funded were discussed at GB meetings.

27. We have seen the minutes of two Finance Committee meetings held in February and May 2013. At the May 2013 meeting questions were asked about income and the business manager informed the meeting that monies were due from [REDACTED] [REDACTED]. When clarification on this was requested, [REDACTED] [REDACTED] confirmed that the academy is the share-holder. No further information is recorded in the minutes.

28. We do not know whether there was an intention to have the share held by the academy and to pay a dividend, however neither of these things did happen. The academy has been paying the salary of staff (four since conversion) as well as some other costs (see below). The only payment we have identified being paid to the academy by [REDACTED] [REDACTED] related to the sale of a mini bus by the academy for which [REDACTED] [REDACTED] paid £500.

29. The "guidelines for funding" document mentioned above identifies that the aim of the business is to "generate money that will be used to enhance extra curriculum activities that fall outside the general remit of the school budget". The income would be generated by taking over responsibility for some activities already provided by the

academy – e.g. fund raising, school fairs, sponsored activities and undertaking other activities such as training and providing mini bus hire.

30. Whilst activities of this nature have been undertaken by [REDACTED] [REDACTED] the school has not benefited financially from these activities and has been paying the staff and other costs of [REDACTED] [REDACTED], which, from the financial information we have seen, far outweigh any income generated by [REDACTED] [REDACTED]. Even if the school had benefitted, if it was to fund activities that fall outside of the school budget EFA funding could not be used to generate the income.

31. The report headed “Report to the Governing Body”, “Autumn Term 2011” states that [REDACTED] [REDACTED] will be operating in three core areas:

- Training courses;
- Consultancy; and
- Post 19 provision.

32. Further references are made to post 19 provision in [REDACTED] [REDACTED] document entitled “Post 19 Provision” dated August 2011. This states that they will establish a second business to provide post 19 provision for young adults. Further references are made to post 19 provision in [REDACTED] [REDACTED] Update of May 2012, [REDACTED] [REDACTED] Action Plan of August 2012 and [REDACTED] [REDACTED] Newsletter Issue 5 dated 01/09/2011. The minutes of [REDACTED] [REDACTED] Annual General Meeting of 24/10/12 also include information on post 19 provision and state “this initiative has formed a major part of the work being carried out at [REDACTED] [REDACTED]”.

33. We also reviewed the following documents:

- [REDACTED] [REDACTED] [REDACTED] [REDACTED] and [REDACTED] [REDACTED] Review – which states it outlines the work being undertaken in the two discrete businesses; and
- [REDACTED] [REDACTED] trading as [REDACTED] [REDACTED] Business Plan April 2013. [REDACTED] stands for [REDACTED], [REDACTED], [REDACTED] [REDACTED] and the plan details the intention of providing a 19-25 day facility for young adults with complex and multiple learning difficulties. The plan also states the intention is to offer respite and residential facilities.

34. Two companies have been set up by [REDACTED] [REDACTED] and [REDACTED] [REDACTED] [REDACTED] with them as the directors:

- [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] – incorporation date 03/10/11; and
- [REDACTED] [REDACTED] [REDACTED] [REDACTED] – incorporation date 25/06/2013.

35. At a GB meeting held on 10/07/13 when [REDACTED] [REDACTED] was asked about the post 19 provision, the note of the meeting records that he said that he had been working on it a long time and will be working on it when he retires and that it had nothing to do with [REDACTED] [REDACTED] or the academy. He also stated that [REDACTED] has definitely not been funded by [REDACTED] [REDACTED]. However, from the documentation that we have seen, we would conclude that staff working at [REDACTED] [REDACTED] have been working on the Post 19 provision, so effectively working for [REDACTED].

36. A review of [REDACTED] [REDACTED] bank statements from 16/02/11 to 28/06/13 (although the March 2012 statement was missing) show receipts into the bank account of £91,299.69 and payments out of £68,485.73. Since becoming an academy, receipts into the bank account have been £37,685.67 and payments £49,306.38. The payments made include a payment of £25,000 on 25/03/13 to a bank account we were informed belongs to [REDACTED] [REDACTED] [REDACTED]. This is recorded as a Post 19 loan agreement in [REDACTED] [REDACTED] cash book. A fund transfer of £20,000 was made from the same bank account to [REDACTED] [REDACTED] bank account on 15/07/13.

Cost incurred by the Academy relating to [REDACTED] [REDACTED] [REDACTED] [REDACTED]

37. We calculate the costs incurred by the academy since converting on 1 September 2012 relating to [REDACTED] [REDACTED] total £162,729.38. The detail of how we arrived at this figure is given in the following paragraphs but is made up of:

Staff salaries and expenses	£154,254.94
Mobile phone costs for [REDACTED] [REDACTED] and [REDACTED] [REDACTED]	£718.43
Re-charge costs for teachers working for [REDACTED] [REDACTED]	£3,430
Cost of Principal's meetings at [REDACTED] [REDACTED]	£4,326.01

38. Three members of the academy staff have been working full time for [REDACTED] [REDACTED]. One member of staff, [REDACTED] [REDACTED], has undertaken Clerk duties for the academy since November 2012. We are not able to determine the amount of time spent by [REDACTED] [REDACTED] on Clerk duties. All staff had contracts of employment with the academy and since 19/07/13 staff have been brought back into the academy (although some are currently suspended). The members of staff and their salary costs, NI, pensions and expenses claimed from 01/09/2012 to 18/07/13 total £154,254.94:

[REDACTED] staff	Gross Salary	NI	Pension	Expenses
Total	132,486.33	11,482.54	6,950.14	3,335.93

39. In addition to the salary costs and expenses the academy has also paid for:

- A Blackberry for [REDACTED] [REDACTED] – costs from 01/09/12 to 01/06/13 were £450
- A mobile phone for [REDACTED] [REDACTED] – costs from 01/09/12 to 01/06/13 were £268.43.
- Course costs of £3,015 paid in January 2013 for another member of staff working for [REDACTED] [REDACTED] for an MEd Practitioner at Newcastle University – the fees were for 2011/12 (£1,485) and 2012/13 (£1,530). We understand the course was started whilst working at the academy – work at [REDACTED] [REDACTED] started in January 2012 – and the employee is now back working at the academy. For this reason these costs have not been included in the overall cost above.

40. In addition to these costs other teachers at the school have undertaken work for [REDACTED] [REDACTED] (e.g. teaching on training courses). This work took place in term time and it's possible that the academy may have had to get supply cover for these teachers. [REDACTED] [REDACTED] has not been charged for this work. We estimate the academy is owed £3,430 based on what supply would have cost (which is the basis the BM usually charges to schools when teachers provide them with a service). This figure is calculated using supply costs of £90 for half a day and £175 for a full day and covers the following work undertaken for [REDACTED] [REDACTED]:

Academy staff	Location of work for [REDACTED]	Days	Supply Cost
Teacher A	[REDACTED]	0.5	£90
Teacher B	[REDACTED]	0.5	£90
Teacher C	[REDACTED]	1.0	£175
	[REDACTED]	5.0	£875
	[REDACTED]	3.0	£525
	[REDACTED]	5.0	£875
	[REDACTED]	0.5	£90
	[REDACTED]	0.5	£90
	[REDACTED]	0.5	£90

Teacher D		1.5	£265
Teacher E		1.5	£265
	Total	16.5	£3,430

41. [REDACTED] [REDACTED] has also spent time working for or discussing [REDACTED] business away from the academy. We have made an assessment of the time and cost based on calendar entries although we believe this will be an under estimate as we have only recorded the time of the meeting and not travel time it may have taken him to get to [REDACTED] [REDACTED] offices. Our estimate of costs based on the information below is £4,326.01:

Month	Days	Cost
September 2012 (salary [REDACTED])	0.5	£112.65
October 2012 (salary [REDACTED])	1	£230.87
November 2012	1	£230.87
December 2012	0.5	£115.43
January 2013	2	£461.74
February 2013	2.5	£577.17
March 2013	1	£230.87
April 2013	1.5	£346.30
May 2013	0.75	£173.15
June 2013	2	£461.74

42. [REDACTED] [REDACTED] staff used laptops belonging to the academy and equipment for animation projects but these are all now back in the academy. Furniture was provided by the academy for their offices, but this was surplus to the academy's requirements and prior to academy status.

43. [REDACTED] [REDACTED] used the academy's mini buses for training courses and to hire out. In total the academy had three mini buses – two were used by the academy and one was used exclusively by [REDACTED] [REDACTED]. In April 2013 the academy sold a mini bus to [REDACTED] [REDACTED] for £500 – this transaction was initiated by [REDACTED] [REDACTED]. This left the academy with one mini bus and meant they sometimes had to hire mini buses to transport the pupils – in April and May 2013 £1,140 was spent on the hire of mini buses when the academy owned a mini bus that was being used by [REDACTED] [REDACTED].

44. In relation to the sale of the mini bus for £500, whilst the BM and Vice Chair state the bus was old (a 51 plate), between August 2012 and April 2013 repair and safety checks costs amounted to £1,928.90. There is also no evidence that the amount paid by [REDACTED] [REDACTED] for the mini bus was current market rate for the bus at the time of sale.

45. Prior to academy status the academy paid additional costs for [REDACTED] [REDACTED] such as rent for their offices however when [REDACTED] [REDACTED] moved to Sunderland (in April 2012) they started paying their own rent.

46. The predecessor school had a fund raising arm with a separate bank account known as the Glendene Arts College account. When the person who managed the account retired (in July 2010), the account was taken over by [REDACTED] [REDACTED]. At this time, according to the cash book, there was £6,847.19 left in the account. This account is being reviewed by [REDACTED] but we believe it has been used to deposit donations to the academy, make payments to [REDACTED] [REDACTED] and pay costs associated with [REDACTED] [REDACTED]. There has been little activity on the account since converting to an academy (no donations recorded and two cheques processed). The bank statement for January 2013 shows a balance of £1,271.38.

47. The signatories to the Glendene Arts College account are not known. When the person managing the account retired the bank signatory was changed to one of the current Vice Principals. However they stated that they have not signed any cheques for the account since it transferred to [REDACTED] [REDACTED]. It is not known whether [REDACTED] [REDACTED] staff have changed the bank signatories for the account.

Fundraising for the Academy Retained by [REDACTED]

48. When established, [REDACTED] [REDACTED] took over responsibility for fund raising for the academy and dealing with donations but very little of these funds have been paid to the school. In some instances donations and fund raising has been paid into the Glendene Arts College account, but others have been paid into [REDACTED] [REDACTED] own account. It is difficult to identify the totality of funds that may have been raised for the academy as they may not have all been entered in the Glendene Arts College or [REDACTED] cash books or labelled as such (e.g. may have been used for petty cash or not entered as fund raising / donations) but we have identified:

- Between October 2010 and June 2012 £3,595.47 was entered in the Glendene Arts College cash book as donations or fund raising; and
- Between September 2012 and April 2013 £1,750.82 was entered in [REDACTED] [REDACTED] cash book as donations or fund raising.

49. We know from the academy newsletter that in December 2012 £655 was raised for the Christmas raffle, £966 for the Christmas fayre and £788 for a sponsored walk. The BM informed us that the £966 for the Christmas fayre went to the Friends of Glendene account (a separately registered charity account used to fundraise for the academy) and the remainder went to [REDACTED] [REDACTED].

Employment Status of Staff Working at the [REDACTED]

50. The four members of staff working for [REDACTED] [REDACTED] were all employed by and had contracts with the academy. Staff have been employed by the academy as follows:

- [REDACTED] [REDACTED] – worked at the academy for over nine years – used to be a support assistant and on his return after a career break he started working as the commercial manager at [REDACTED] [REDACTED]. How he was recruited initially to the academy is not known;
- [REDACTED] [REDACTED] – worked at the academy since October 2009 and was employed as a project manager moving to [REDACTED] [REDACTED] when it started. We were informed that [REDACTED] [REDACTED] was a direct recruitment (i.e. not advertised) of the Principal and Chair (possibly under “Chair’s actions/emergency powers”);
- Employee C - worked at the academy for over nine years, was a teacher before moving to [REDACTED] [REDACTED] in January 2012. How he was recruited initially to the academy is not known;
- Employee D– worked at the academy for a number of years (we have seen a letter dated in 2007 with references to an amended contract) as a technician working on animations. How he was recruited initially to the academy is not known.

Procurement and the Letting of the Premises Facilities Management Contract

51. Concerns were raised about the letting of a contract for facilities management that was awarded to a company called [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] as the owner of the company [REDACTED] [REDACTED] was also a director of a company called [REDACTED] [REDACTED] [REDACTED] [REDACTED], which the Chair of the GB, [REDACTED] [REDACTED], is also a director.

52. We reviewed the letting of this contract and, whilst there was no contract file or much documentation to support the process, in discussions with the BM we understand the process was as detailed below.

53. Three companies were approached to bid to provide a facilities management function for the academy. Quotes were received from two companies but the third did not quote. The BM stated that she wanted to appoint one of the companies but a trustee was against this as they had had a bad experience with them in the past. The BM stated that [REDACTED] was introduced by [REDACTED] [REDACTED] and [REDACTED] [REDACTED] – she was not aware they had been asked to quote.

54. The tender process was not a formal process despite the academy’s finance manual stating that orders over £10,000 must be subject to formal tendering. The quotes from each company were presented in a different way and it was not easy to compare costs as they all presented them and bid differently. Bids were as follows:

- [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
- [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED];
- [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

55. The decision to award the contract to [REDACTED] was made under “Chair’s emergency powers” and presented to the GB at their meeting on 12/03/13. We do not understand why a decision of this nature needed to be made under “Chair’s emergency powers” as, with the values involved, we would have expected the GB to be involved in the decision.

56. No declarations or conflicts of business interest were made at the March meeting by the Chair or at the following meeting on 15/05/13, which was after [REDACTED] [REDACTED] [REDACTED] had been incorporated and [REDACTED] [REDACTED] and [REDACTED] [REDACTED] became directors of it (which was 08/05/13). [REDACTED] [REDACTED] and [REDACTED] [REDACTED] are both members of [REDACTED] [REDACTED], a business referral organisation.

57. There is no contract in place with [REDACTED] for the facilities management work. The BM has not seen a CRB check for [REDACTED] [REDACTED], although [REDACTED]

██████████ informed her that he has seen it. It is not clear whether CRB forms for other workers engaged by ██████████ have been seen by ██████████ ██████████.

58. Between April 2013 and June 2013 ██████████ have been paid £19,046.20 by the academy.

59. We also reviewed the procurement for ██████████ ██████████ ██████████ ██████████ ██████████ ██████████. No documentary evidence of how these suppliers were identified and selected was available but we were informed by the BM that:

- ██████████ ██████████ was awarded the work by the Principal. ██████████ ██████████ ██████████ ██████████.
- ██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████.

60. Prior to conversion ██████████ ██████████ was paid approximately £25,000 ██████████ ██████████ ██████████ following the capital works. Since September 2012 ██████████ ██████████ has been paid £7,500 and ██████████ ██████████ ██████████ ██████████ has been paid £5,700.

Declaration of Business Interests and Governance

Business interests

61. Declarations of business interest forms were reviewed. Forms were completed by governors in October 2012. The only declaration made was by ██████████ ██████████ who declared “██████████ ██████████ ██████████”. No declarations of:

- ██████████ ██████████ directorship of ██████████ ██████████ ██████████ ██████████ ██████████ – incorporated 03/10/11 and ██████████ ██████████ ██████████ ██████████ – incorporated 10/01/08 – which ██████████ ██████████ is also a director and ██████████ ██████████ ██████████ is company secretary;
- ██████████ ██████████ directorship of ██████████ ██████████;
- Other directors’ business interest.

62. No declarations were recorded in any of the GB minutes.

63. The form in use for declarations appears to be based on the Local Authority form that asks the question “do you or any family members / partners work at or provide / applying to provide services to the school?” We advised the academy that we would recommend changing the form so that governors are required to declare any business interest they have in the interests of transparency.

Governance Issues – Use of Chair’s Actions/Emergency Powers

64. Decisions are made under “Chair’s actions / emergency powers”. This power was used by the previous Chair but we have not seen anything documented on when this power can be used. Since becoming an academy we have seen the power used to:

- Close the academy on 21/01/13 due to a burst pipe (23/01/13 GB minutes);
- Award the facilities maintenance contract to [REDACTED] (13/03/13 GB minutes); and
- Award leave of absence for two days to [REDACTED] [REDACTED] – 23-24 May 2013 (15/05/13 GB minutes)

65. We understand that the leave of absence was for [REDACTED] [REDACTED] to go to [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED].

66. We have recommended to the academy that they define and document when “Chair’s actions / emergency powers” can be used.

Appointment of [REDACTED] as Clerk to the GB

67. [REDACTED] [REDACTED] [REDACTED] [REDACTED] of the Principal was, appointed as Clerk to the GB in September 2012. The GB minutes of the 10/09/12 include “a suggestion was made by the chair to approach [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] to undertake this administrative duty. The members agreed this approach and the chair is to undertake this action and report back to the next full meeting”. The minutes of the meeting of 03/10/12 state [REDACTED] [REDACTED] has been approached. The minutes of the 28/11/12 meeting show [REDACTED] [REDACTED] as “Clerk to the Trustees” and state that she will be undertaking administration for future meetings.

Possible Irregular Expenditure

68. In reviewing the expenditure of the academy some other minor instances of possible irregular expenditure was identified as follows:

- A payment of £600 to a governor for work undertaken on the curriculum review and team building training and support. There was no evidence in the GB minutes that this payment was agreed by the GB.
- Two instances of alcohol purchase – one (£289.94) for bucks fizz for the Royal visit to officially open the academy and one (£48) for a Christmas gift for the three caretakers.

Recommendations

The Academy

69. The academy should ensure its financial management and governance arrangements comply with the requirements for regularity and propriety in the use of funds, the terms and conditions of funding under the funding agreement and the Academies Financial Handbook. It should develop an action plan, to be agreed with the EFA, in order to demonstrate how it will achieve this and ensure a similar situation cannot happen again.

70. The academy should also ensure its procurement processes and other financial requirements are adhered to, and consider whether the Facilities Management contract should be re-tendered.

The EFA

71. The EFA should consider:

- Recovery action in relation to the ineligible expenditure the academy has spent on [REDACTED];
- Whether the academy should be subject to a Financial Management and Governance Self-assessment (FMGS) visit; and
- Whether a Financial Notice to Improve (FNtI) should be issued.



Department
for Education

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