

[REDACTED]
E-ACT
Third Floor
10 Whitfield Street,
London W1T 2RE

11 March 2013

Dear [REDACTED]

Financial Notice to Improve

I am writing to you in your capacity as Accounting Officer of E-ACT Academy Trust (the Trust). This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust following the Review of Financial Administration and Governance undertaken by us in February and March 2013.

The Notice at Annex A is our formal requirement for the Trust to identify actions needed to address the weaknesses found, which are summarised in Annex B.

We will monitor progress made towards meeting the requirements associated with this Notice. We will lift the Notice to Improve when the requirements set out in the annexes have been met. In the event that the Trust is unable to meet the requirements of this Notice, we will need to consider the contractual intervention options set out in the Trust's funding agreement.

I should be grateful if you would acknowledge receipt of this letter by email to [REDACTED]. Please send me your formal response to these findings and an action plan to meet the requirements associated with this Notice by 19 April 2013.

Yours sincerely

[REDACTED]

CC: [REDACTED]

Financial Notice to Improve: E-ACT

Ref: E-ACT110313

Conditions

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the Notice) as a consequence of the significant weaknesses in financial management control and governance highlighted within the EFA report of March 2013 and the (draft) Management Letter issued by the Trust's external auditors in relation to the Trust's 2011/12 Financial Statements.
2. The Trust is required to prepare and implement an action plan to address the underlying weaknesses in financial management and governance and the serious findings uncovered in the report and draft Management Letter that have led to the issue of this Notice.
3. The Trust should supply the EFA with monthly progress reports on the work undertaken and the improvements and outcomes achieved.
4. Please note however:
 - The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the control weaknesses highlighted in the Review of Financial Administration and Governance Report;
 - The Trust should take all appropriate actions to ensure the agreed action plan is fully implemented; and
 - The EFA must be satisfied that the Trust is doing what it can to rectify the weaknesses identified.

Timescales

5. The Trust should submit an action plan to the EFA ([REDACTED]) by 19 April. That plan should detail the action that the Trust intends to take to address the weaknesses in its financial management and governance arrangements that have led to the issue of this Notice.
6. We would expect the underpinning systems and processes to be operational by end June 2013. At this point we will consider whether the Notice may be lifted.
7. Full implementation of the plan by E-ACT should be complete within a timeframe to allow externally audited 2012/13 financial statements to be submitted on time.

Monitoring and Progress

8. The Trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress.
9. The Trust should contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in the action plan.
10. Should it become evident that the Trust is unlikely to fulfil the conditions of this Notice within the above timescales the EFA will begin to consider and explore the contractual intervention options available.

Compliance and the End of the Notice Period

11. Compliance with this Notice will be demonstrated when all measures set out in the action plan are in place and the EFA is able to validate, by visiting the Trust in July 2013 to conduct testing if appropriate, that the new arrangements are being embedded throughout the Trust. At this time the EFA will consider the need to recover public funds identified as used irregularly.
12. When the Trust meets the conditions outlined in this annex, the Notice will no longer apply. At this point the EFA will write to the Trust again to confirm the Notice has been lifted.

Specific Actions Required of the Accounting Officer

The Accounting Officer must address all the issues raised in the EFA's Review of Financial Administration and Governance Report March 2013 and the draft Management Letter of the Trust's external auditors in respect of E-ACT's 2011/12 Financial Statements and produce a detailed action plan in conjunction with this.

The action plan will need to address the following issues and itemise the specific actions proposed, this will include consideration of whether public funds have been used irregularly:

Financial Statements and Management Letter

- The Trust's financial statements for 2011-12 have not been finalised. E-ACT should work with KPMG so that this can be achieved as soon as possible;
- KPMG's management letter in relation to the year ended 31 August 2012 has 30 recommendations; 19 classified as high risk "matters that are considered fundamental against which management should take action as soon as possible" and 11 classified as medium risk "matters that are considered significant that should be addressed within 3 to 6 months". All to be included in the action plan.

Governance

- The arrangements for payment to a number of E-ACT Board members.
- The accounting arrangements for and full disclosure of transactions with subsidiaries and related parties, particularly E-ACT Enterprises Limited.

Financial Controls

- The issues around financial controls, particularly, bank reconciliations and VAT and concerns over the capacity and skills level in financial reporting highlighted in the report as well as all the other issues highlighted in the KPMG management letter.

Supplier/professional services

- Procurement process so that due process is properly followed and that transparency in the letting of contracts is maintained;
- Ensuring all consultancy contracts comply with E-ACT's own procurement processes and EU procurement rules are understood and followed.

Directors' expenses

- The controls around expenses for directors and senior managers are proper and administered and enforced in accordance with E-ACT regulations.

Credit/charge card payments

- Expenses claims and corporate credit cards are properly used and administered in accordance with E-ACT regulations.