

Internal Audit Unit
Internal Audit Investigation Team

Investigation Report on
Quintin Kynaston Academy

MAY 2013

INTRODUCTION

1. Following an initial investigation commissioned by Quintin Kynaston Academy Chair of Governors, the Internal Audit Investigation Team (IAIT) of the Department for Education (DfE) was requested by the Education Funding Agency (EFA) to undertake a further investigation to identify the likely extent of financial loss suffered by the Academy.

2. At the same time as IAIT visited the Academy, the EFA's External Assurance (EA) team also visited to review financial controls and to validate the Financial Management and Governance Evaluation (FMGE) submitted by the Academy in February 2012. The investigation team visited the Academy during weeks commencing 15 and 22 October 2012.

3. This report covers both the findings of the IAIT (detailed in annex 1 starting on page 7) and the findings of the EA team (detailed in annex 2 starting on page 19).

BACKGROUND

4. Quintin Kynaston became a Converter Academy on 1 November 2011. Prior to this the school was a Specialist Technology College with Foundation School status funded by Westminster City Council. Ms Shuter has been the Head Teacher at the school since 2002.

5. The EFA received allegations of financial impropriety by members of Academy staff and the allegations were reported to the Chair of Governors, who commissioned an external firm of forensic accountants to undertake an investigation. The initial findings of that investigation were shared with the EFA by the Chair who instigated disciplinary action against the Head and also referred the matter to the police. The police investigation is on-going. The disciplinary investigation is complete subject to Ms Shuter exercising her right of appeal.

6. The initial findings of the Academy's investigation raised concerns that all instances of misappropriated funding may not have been identified. The subsequent investigation carried out by the IAIT has sought to establish the extent of losses by the Academy and whether there was evidence that other staff were involved in misappropriating funding.

7. IAIT have examined financial records at the Academy relating to the period 1 January 2011 to 31 August 2012.

MANAGEMENT SUMMARY

8. The EA team identified significant weaknesses in the financial oversight and the proper and regular use of public funds, which are supported by the findings in this report. In particular, with regard to Ms Shuter's role as the Accounting Officer and her responsibility for the prudent and economical administration of Academy business; for the avoidance of extravagance; for ensuring value for money; and for the efficient and effective use of all resources in her charge. The report also highlights the fact that practices in the Academy were carried over from the Foundation School.

9. The investigation has identified further expenditure that has been incurred by Ms Shuter, her family members and other members of staff. It is clear that the personal use of the Academy taxi accounts was widespread before the school became an Academy, continued after conversion and that, until prompted by the Bursar, no attempt had been made to reimburse the costs incurred. Even when prompted by the Bursar there was no attempt to ensure that all personal costs incurred had been identified and repaid. In addition to the use of the Academy taxi accounts we have also identified other travel expenses claimed that are personal costs. We have determined Ms Shuter's personal travel costs to be a further £2,663.65 to that already identified by the Bursar, of which £971.80 relates to claims since the School converted to Academy status, with a further £2,371.73, of which £665.72 was when the school was an Academy, where it is not clear that it relates to Academy business.

10. There was also evidence that since the start of the Academy other staff members had made use of the taxi accounts and we identified £238.11 not related to Academy business.

11. Ms Shuter undertakes a number of consultancy and conference guest speaker appointments. Much of this work is in school term time and in previous years the Academy and/or QK School Improvement Centre (SIC) would benefit from this work as they received the fee for it. Ms Shuter now receives the fees but the work is still undertaken in school time and the Academy and School Improvement Centre is still paying for travel expenses in relation to this personal work. We identified two cases where claims have been made for the same journeys from the Academy and other organisations for speaking engagements. However we have not had access to all the invoices issued by Ms Shuter for the period reviewed (we have only seen invoices for £28,550 and €750).

12. The Academy has a mobile phone contract with a supplier that is used by other staff; however, Ms Shuter prefers to use her own phone contract and to reclaim costs from the Academy. Ms Shuter's contract includes phones for her son and daughter and an iPad. To support the claims for reimbursement usually only one page of the itemised phone bill is provided by Ms Shuter and it is therefore impossible to determine the cost of personal use by Ms Shuter and her family, although deductions for such use were minimal. A duplicate claim for £591.80 was identified where Ms Shuter had claimed using the mobile phone bill for one claim and a copy of her bank statement to support the second claim.

13. Ms Shuter held her 50th birthday party at the Academy and costs were incurred for staff time, catering, alcohol, food, party lights and landscaping totalling £6,957.49. This included a cash advance to Ms Shuter of £1,000 to pay musicians and other expenses on the night. A refund of £664.59 for unused alcohol was received and the remaining costs were invoiced to Ms Shuter in March 2011. This invoice, which also included other funds owed, was not paid by Ms Shuter until April 2012.

14. The Senior Leadership Team (SLT) hold weekly meetings for which they purchase refreshments which are reimbursed by the Academy. We estimate that since the school became an Academy this has cost over £2,000.

15. The SLT hold off-site meetings once a year, although in 2012 two meetings were held off-site. The costs of these meetings are high, for example an overnight meeting in January 2012 at the Grove Hotel, Chandlers Cross cost £8,269.36 and an overnight meeting in May 2012 at the Landmark Hotel, London cost £4,410.86. The cost of rooms at the Landmark Hotel was £323 and £264, and room hire for the meeting was £550 per day. Additionally Ms Shuter and [REDACTED] stayed overnight at the Grove Hotel in July 2010 at a cost of £835.00. All the costs for these stays are paid for by the Academy and the cost of these meetings has to be questioned on value for money grounds.

16. The Declaration of Business Interest forms have, in the main, not been completed since 2009. Ms Shuter and [REDACTED] have not declared any business interests despite having close links to a number of suppliers used by the Foundation School and subsequently the Academy.

17. The practice in the Academy is to purchase flowers and birthday cakes for SLT members' birthdays. We identified that since becoming an Academy £3,474 has been spent on flowers.

18. A number of issues relating to the employment of family members have already been identified and we have not re-iterated the issues in this report.

CONCLUSIONS

19. As the Academy Accounting Officer, Ms Shuter is expected to:

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

20. Clearly these responsibilities have not been discharged by Ms Shuter and proper financial control has not been exercised. Funding provided to benefit the needs of the Academy pupils has, in fact, been diverted for inappropriate purposes.

21. The information that has been available to the investigation team has, in at least two identified travel expense cases, suggested that the actions of claiming expenses more than once, from different organisations, could amount to fraud. The complaint to the police was based on the fact that this is what had allegedly happened.

22. There is evidence that many travel expenses and mobile phone claims submitted by Ms Shuter did not relate fully to Academy business.

23. The Bursar has identified a number of the improper practices but the action that was taken fell short of ensuring that the activities ceased and were drawn to the attention of the appropriate members of the Governing Body.

24. These concerns, together with other identified weaknesses, have led to the assessment that the Financial Management and Governance Evaluation (FMGE) submitted by the Academy and signed by Ms Shuter as the Accounting Officer was not an accurate indicator of the financial management and governance status of the Academy. The FMGE status in the Academy has been judged as **Inadequate** against their self-assessment of **Good**.

RECOMMENDATIONS

25. The recommendations below are based on the detailed findings in annexes 1 and 2.

26. A Financial Notice to Improve (FNTI) has been issued requiring the Academy to take action to address the failures identified by the investigation report. Specifically:

- Address the issues raised in the EFA External Assurance Team's Financial Management and Governance Evaluation (FMGE) validation report (see annex 2).
- Recover payments made assessed as "red" that have not already been recovered.
- Review the journeys assessed as amber and recover where appropriate (separate spreadsheet provided).
- Recover travel costs made by the Academy and the School Improvement centres in respect of personal consultancy work by Ms Shuter (separate spreadsheet provided).
- Review controls in place in relation to expense claims and use of the taxi account. For example we would expect:
 - reimbursement of expenses to be claimed and reimbursed to the person who the expense relates to;
 - the expense claim form to be signed by the person claiming the expenses;
 - a justification to be made for using the Academy taxi account (i.e. reasons why the taxi was used/to be used).
- Review the arrangements in place with Ms Shuter in respect of undertaking personal consultancy engagements in school time.
- Ensure value for money is being achieved in the mobile phone plans used by staff.

- In developing and agreeing the Financial Procedures and Regulations Manual (identified in the FMGE validation) the procedures should:
 - state that Academy resources should be used for Academy business only and not for personal purchases by Academy staff (e.g. organising and paying for birthday parties);
 - set out the type of expenses that can be reclaimed from the Academy;
 - set out a policy on SLT on-site and off-site meetings and the financial limits that will apply to these if any expenditure is justified.
- Ensure that Academy resources are being used only for Academy business and not to support other businesses being run by staff or to run their personal lives. (e.g. QK House, Ms Shuter personal consultancy business and aspects of her personal life such as booking family holidays, organising rental of her Turkish villa and lunch and dinner engagements).

FINDINGS

Travel costs paid / expenses claimed

1 The Academy practice for claiming expenses allows claims to be completed and claimed by staff who have not actually incurred the expense. For example, rail costs for Ms Shuter have been paid for and reclaimed by her PA. In some cases the claim forms have been accepted and authorised for payment when signed by someone who is not claiming the expenses. For example, some of Ms Shuter's mobile phone claims have been completed and signed by her PA but the expenses have been paid to Ms Shuter.

2. Since 1 November 2011 the Academy has spent £17,293.75 on taxi accounts. The Academy has two taxi accounts with Swiss Cottage Cars and Addison Lee (previously Lewis Day Cars before being taken over by Addison Lee).

3. We examined the following financial records that could relate to travel costs for the period 1 January 2011 to 31 August 2012:

- all taxi account invoices;
- all expense claims;
- all petty cash claims;
- credit card statements (from 1 November 2011).

4. We identified a number of journeys where it was not clear whether they related to Academy business. After analysis of further records (e.g. journeys already identified by the Bursar and agreed as personal by staff, records of personal consultancy work agreed by Ms Shuter with the Bursar) we assessed the journeys as:

- not related to Academy business (red);
- possibly related to Academy business (amber);
- related to Academy business (green).

5. A summary of the costs identified in each category are given below:

Individual(s)	Role at Academy	Total journey costs identified	Red	Red Since Academy	Amber	Green
Jo Shuter	Head	£8,669.64*	£5,080.49	£1,241.73	£2,371.73	£859.27
Jo Shuter Family	None	£775.18	£775.18	£43.30	0.00	0.00
		£812.81	£334.46	£226.31	£478.35	0.00
		£535.98	£286.92	£53.80	£33.84	£215.22
		£352.58	£283.23	Nil	£69.35	0.00
		£71.00	£71.00	Nil	0.00	0.00
		£211.83	£29.73	Nil	£182.10	0.00
TOTAL		£11,429.02*	£6,861.01	£1,565.14	£3,135.37	£1,074.49

* also includes £358.15 that should have been reclaimed from the School Improvement Centre.

6. The Bursar has already identified a number of journeys that we identified as red and has gained refunds or partial refunds (some staff are refunding in instalments via their salary). In the case of personal journeys identified for [REDACTED] the Bursar, at the time of our visit, had not gained any agreement to repay the costs.

7. The total costs of journeys classed as red and already identified by the Bursar are as follows:

Individual(s)	Role	Red	Already identified by the Bursar	Recoverables identified by IAIT
Jo Shuter	Head	£5,080.49	£2,416.84	£2,663.65
Jo Shuter Family	None	£775.18	£598.44	£176.74
		£334.46	0.00	£334.46
		£286.92	£124.00	£162.92
		£283.23	£106.00	£177.23
		£71.00	£71.00	£0.00
		£29.73	0.00	£29.73
TOTAL		£6,861.01	£3,316.28	£3,544.73

Since Academy

Individual(s)	Role	Red	Already identified by the Bursar	Recoverables identified by IAIT
Jo Shuter	Head	£1,241.46	£269.66	£971.80
Jo Shuter Family	None	£43.30	26.90	£16.40
		£226.31	0.00	£226.31
		£53.80	£42.00	£11.80
		0.00	0.00	0.00
		0.00	0.00	0.00
		0.00	0.00	0.00
TOTAL		£1,564.87	£338.56	£1,226.31

8. Examples of some of the personal journeys that were not identified by the Bursar are given below (the writing in *italics* in column “journey details” has been identified by IAIT from a check of the address):

Date	Passenger / claimant	Amount	Time (if known)	Journey details
19/07/2012	Jo Shuter	£35.53	17:50:00	QK to ING Bank
23/05/2012	Jo Shuter	£26.22	08:40:00	QK to [REDACTED] Harley Street
03/05/2012	Jo Shuter	£33.37	10:30:00	QK to Corsham Street (<i>Premier Inn</i>)
03/05/2012	Jo Shuter	£24.70	12:30:00	Corsham Street (<i>Premier Inn</i>) to 18 Motcomb Street (<i>address is for Errol Douglas Hairdressers?</i>)

Date	Passenger / claimant	Amount	Time (if known)	Journey details
17/04/2012	Jo Shuter	£24.70	10:00:00	QK to 18 Motcomb Street (<i>address is for Errol Douglas Hairdressers?</i>)
22/02/2012	Jo Shuter	£14.20	18:18	Taxi receipt - no explanation (metered 18:18)
31/01/2012	Jo Shuter	£22.26	18:00:00	QK to Ivy Restaurant
31/01/2012	Jo Shuter	£35.38	08:30:00	QK to Strand
31/01/2012	Jo Shuter	£14.23	18:30:00	QK to Wolsey Restaurant
31/01/2012	Jo Shuter	£48.00		Taxi receipt - no explanation
29/12/2011	Jo Shuter	£29.60	16:20:00	██████████ to Odeon Cinema 96 Finchley Rd
29/12/2011	Jo Shuter	£26.90	19:20:00	Odeon Cinema to ██████████
29/12/2011	Jo Shuter	£26.90	20:06:00	Odeon Cinema to ██████████
23/12/2011	Jo Shuter	£14.23	09:30:00	QK - Devonshire Place
23/12/2011	Jo Shuter	£10.00		Taxi receipts for London - no explanations
23/12/2011	Jo Shuter	£19.00		Taxi receipts for London - no explanations
14/12/2011	Jo Shuter	£35.38	17:00:00	QK to Savoy (JS + 3)
03/12/2011	██████████	£16.40	17:30:00	██████████ to Paddington Station
03/12/2011	██████████	£16.40	17:30:00	██████████ to Paddington Station
24/11/2011	Jo Shuter	£52.99	11:30:00	QK to Heathrow T1
23/11/2011	Jo Shuter	£21.98	13:03:00	QK to 6 Avonmouth St (<i>address is for ETC Venues</i>)
23/11/2011	Jo Shuter	£21.98	15:44:00	6 Avonmouth Street (<i>address is for ETC Venues</i>) to QK
30/08/2011	██████████	£14.23	07:45:00	QK to US Embassy
26/08/2011	██████████	£97.00	07:00:00	██████████ to Gatwick Airport
18/08/2011	██████████	£40.34	20:00:00	██████████
17/08/2011	██████████	£66.00	17:19:00	Heathrow Airport to ██████████
12/08/2011	██████████	£60.00	12:40:00	██████████ to Stansted Airport

Date	Passenger / claimant	Amount	Time (if known)	Journey details
10/08/2011		£60.00	12:40:00	to Stansted Airport
11/05/2011		£19.68	08:00:00	QK to Le Pain Quotidien, 72-75 Marylebone High Street
11/05/2011		£14.23	09:15:00	Le Pain Quotidien to
19/03/2011		£29.73	15:40:00	to Islington Town Hall
27/01/2011		£43.77	07:12:00	QK to Hatton Gdn to QK

Consultancy work by Ms Shuter

9. Ms Shuter undertakes a number of consultancy and conference guest speaker appointments. Much of this work is in school term time and in previous years the Academy and/or QK School Improvement Centre (SIC) would benefit from these appointments as they received the fee for the work. However in recent years Ms Shuter herself has received the fee but has still undertaken the work in school term time, whilst being paid by the Academy. It is not clear when Ms Shuter started receiving the fees for consultancy engagements rather than the SIC but we have seen an email from Ms Shuter's PA to Coventry City Council (CCC) dated 20 October 2010 requesting that:

"Jo will need to be set up on the system as an individual, so separate to the previous payments which were made to QK".

10. A response was received from CCC on 22 October 2010 confirming that a separate account had been set up:

"so money will come directly to her by cheque". The email from CCC also states "with regard to travel expenses, it will be fine to invoice for them separately. It is not Council policy to use 'first class travel' so you might want to alert Jo to this fact".

11. We understand the Governing Body agreed that Ms Shuter could undertake some personal consultancy work in addition to the consultancy work undertaken for the SIC and that she was given a number of days when she could be away from the Academy to undertake this personal work. However it is not clear whether Ms Shuter has exceeded the allowance given by the Governing Body and whether the Academy/SIC are receiving all the fees for consultancy that they should be receiving. It is clear from financial information examined that Ms Shuter is being paid fees when she has claimed expenses for the consultancy from the Academy/SIC. Examples of the consultancy work undertaken by Ms Shuter and the fees charged are:

- Coventry County Council 2010-11 – 10 days consultancy at £10,000 plus travel expenses;
- Coventry County Council 2011-12 – 15 days consultancy at £15,000 plus travel expenses;

- Clacton-on-Sea Head Teachers Conference - £1,000 plus expenses;
- Essex Governors Conference - £1,000;
- ASCL Annual conference: Thinking Leaders...Thinking Learners - £750 plus expenses;
- Hamburg Chamber of Commerce Conference – €250 plus expenses.

12. We have not had access to all information relating to consultancy undertaken by Ms Shuter (i.e. all invoices prepared by/for Ms Shuter for work undertaken). However an analysis of the information we do have identified instances where the Academy and/or the SIC are paying for travel expenses relating to personal consultancy work. Whilst some of the costs have been identified by the Bursar we estimate the Academy could still be owed over £1,300.00 (£725 of this has already been rated as red, amber or a cost of the SIC in paragraph 5 above) and the SIC could be owed over £900 (£47 of this has already been rated as red in paragraph 5 above).

13. We have also identified instances where expenses have been paid by the Academy and the organisations that the consultancy / speaking engagement was undertaken in relation to. In particular two speaking engagements were identified where the Academy paid expenses of £377.10 and these costs were also reclaimed from the organisations. We do not have access to all the invoices raised by Ms Shuter so cannot say whether this is full extent of duplicate claims.

Mobile Phone Claims by Ms Shuter

14. Ms Shuter reclaims her mobile phone costs for her personal mobile phone account from the Academy. In reclaiming the costs usually only one page of her mobile phone bill is presented with the claim. However in April 2012 more pages, although not the full bill, were presented. Sometimes, but not always, deductions are made for “personal” calls, usually between £20 and £30, however as the detailed bill is not provided a verification of the cost of personal calls cannot be made.

15. Ms Shuter’s mobile phone plan includes the cost of mobiles for her son and daughter, as well as iPad costs. The bill paid in March 2012 was annotated “£30 and £50 for J/M” for deductions. This indicates deductions were made for Ms Shuter’s children . However deductions for the costs of her children’s mobile phone and iPad costs are not made each month.

16. Examples of mobile phone costs claimed by Ms Shuter are given below:

Date	Bill presented	Bill amount	Deduction for personal calls	Amount claimed
17/12/2010	Copy of bank statement	£307.64	£20.00	£287.64
27/01/2011	No breakdown	£283.80	£25.00	£258.80
28/02/2011	Page 1 of 34 only	£287.80	£30.00	£257.80
31/03/2011	Page 2 of 28	£404.06	£30.00	£374.06

Date	Bill presented	Bill amount	Deduction for personal calls	Amount claimed
	only			
28/04/2011	Page 2 of 36 only	£748.25	£30.00	£718.25
01/07/2011	Page 1 of 34 only *	£591.80	£0.00	£591.80
12/07/2011	Page 1 of 28 only	£213.04	£0.00	£213.04
19/07/2011	Extract of online bank statement*	£591.80	£0.00	£591.80
25/08/2011	No breakdown	£769.18	£0.00	£769.18
23/09/2011	No breakdown	£524.86	£0.00	£524.86
21/10/2011	No breakdown	£505.80	£0.00	£505.80
23/11/2011	Page 1 of 44 only	£435.29	£30.00	£405.29
23/12/2011	Page 1 of 26	£255.17	£0.00	£255.17
20/02/2012	Page 1 of 42 only	£388.30	£0.00	£388.30
22/03/2012	Page 2 of 35	£469.72	£30 £50.00 for J/M	£389.72
19/04/2012	Page 5-14 of 37 only	£776.88	£30.00	£746.88
25/05/2012	Page 1 of 39 only	£279.35	£65.00	£219.35

17. Ms Shuter has claimed the mobile phone costs for June 2011 twice, once on 1 July 2011 and again on 19 July 2011 (* in above table).

18. For April 2012 £30 was deducted for personal calls but from the bill pages provided we identified the cost of:

- weekend only calls was £103; and
- calls for the period 24 March 2012 to 11 April 2012, when Ms Shuter was in Thailand, were £571.62.

Costs for Ms Shuter's Birthday Party

19. In January 2011 Ms Shuter held her 50th birthday party at the Academy. The Academy paid for the majority of the costs associated with the party, including giving Ms Shuter a cash advance of £1,000 for the party. The £1,000 cash advance was requested on Thursday 27 January 2011 by Ms Shuter's PA, requesting that Ms Shuter has the cash for Saturday to "pay for various bits for her party".

20. The following items were purchased by the Academy for the party:

Item	Cost
Alcohol from Majestic Wine (bought by [REDACTED] and reclaimed from the Academy)	£1,343.84
Food (MGA)	£1,536.20

Special Occasions (chair covers)	£417.00
Cordination catering hire	£851.32
Payroll (RHT)	£885.54
Party lights (JLN)	£295.00
D&G Landscaping (TWD)	£220.00
Petty cash (decorations)	£28.85
TWD (decorations)	£35.97
TWD (florist)	£120.00
TWD (Ikea)	£28.13
Petty cash (shloer)	£34.58
Petty cash (shloer)	£9.95
KTE (sweets)	£29.11
Agency staff (MGA)	£122.00
Cash	£1,000.00
Total	£6,957.49

21. The Academy received a refund of £664.59 from Majestic Wine for unused items leaving a bill of £6,292.90 which was sent to Ms Shuter in March 2011. Some items were disputed and the bill was reduced by £385.92 for the following items:

- wine kept by School Diner - £180.00;
- flowers re-used for other Academy event - £120.00;
- cupcakes kept for School Diner - £85.92.

22. Ms Shuter did not pay this bill until April 2012 when a cheque for £11,447.57 was paid to the Academy. This included £5,906.98 for the party, £3,811.59 for personal taxis from the Academy taxi account and £1,729 for travel costs claimed from the Academy that related to private consultancy work in Coventry.

23. Academy staff were involved in the organisation of the party, however, it is not known whether this took place in school time or in their own personal time. The Academy premises were used for the party but Ms Shuter was not charged for the use of the premises. On 27 January 2011 [REDACTED] took a taxi, paid for by the Academy, to Hatton Garden to collect a gift for Ms Shuter's birthday.

Senior Leadership Team Meetings

On-site Meetings

24. Refreshments are purchased for the weekly Senior Leadership Team (SLT) meetings by Academy staff and reclaimed from the Academy (usually by the Head's PA but sometimes others). These costs are usually claimed as "SLT Shopping" or "SLT Food" and the costs are in the region of £50 per week but can be more. Purchases include food, fresh fruit, sweets and cakes.

25. From the nominal ledger data provided we estimate over £2,000 has been spent on SLT shopping/refreshments since the school become an Academy. However this was also the practice when the Academy was a Foundation school. The Bursar stated it was required to enable the SLT to have a working lunch.

Off-site Meetings

26. The Bursar stated that it has been the practice of the Academy to hold off-site SLT meetings once a year – usually at the Grove Hotel in Chandler's Cross, Hertfordshire. The Bursar stated that the meetings are held off-site to get away from Academy interruptions. Sometimes more than one off-site meeting is held a year, as was the case in 2012.

27. In January 2012 an overnight stay was held at the Grove. The invoices we have seen do not give the dates of the stay or the number of people that stayed overnight but the total cost was £8,269.36.

28. On 25 to 26 May 2012 (Friday/Saturday) a meeting was held at the Landmark Hotel in London at a total cost of £4,410.86. For this stay eight rooms were paid for – three at £323 per night and five at £264 per night. Room hire for two days was £550 per day. Other costs include £326.49 on dinner, £205.50 on lunch and 11 for coffee at £25 per head.

29. On 14 and 15 July 2010 Ms Shuter and [REDACTED] stayed overnight at the Grove in Chandler's Cross to undertake work on the School Development Plan. The cost to the Academy of this overnight stay for two people was £835.00.

30. The Academy does not have a policy for off-site events and the costs that will be paid for these. It is not clear that value for money has been considered in the holding of these off-site events.

Other SLT Costs

31. We identified a number of purchases of flowers (see paragraph 38) and birthday cakes. The Bursar informed us that it is the practice that members of SLT receive a birthday cake on their birthday and a gift, usually a bouquet of flowers.

32. When members of SLT leave they are usually also presented with a gift and have a leaving meal. Contributions for both of these are obtained from other SLT members but they do not always cover the cost of the present or the meal. Examples are given below:

- a £300 Selfridges gift card was purchased using the Academy credit card when one member of SLT left in April 2012 (total costs £305.50 with delivery). Contributions from SLT totalled £220 the Academy paying the remaining £85.50;
- a claim was made by a member of staff for £312.30 for a leaving meal at Café Med in July 2011. Contributions from SLT totalled £230 the Academy paying the remaining £82.30.

Declaration of Business Interests

33. The majority of Declaration of Business Interest forms completed by Academy staff and Governors were completed in 2009. Declarations for two members of staff [REDACTED] were dated "Sept 12". Despite knowing and, in some cases,

having personal links with suppliers used by the Academy neither Ms Shuter nor [REDACTED] has declared any links or business interests. We know that:

- Ms Shuter's sister's company, Insight Films Limited, has undertaken work for the Academy between 2009 and 2011 but Ms Shuter has not declared this relationship;
- [REDACTED] husband, trading as [REDACTED] undertook work for the Academy in 2011. [REDACTED] has not declared this relationship;
- the supplier [REDACTED] has been used by the Academy since 2006. [REDACTED] is friends with the main shareholder of the company, [REDACTED]. Ms Shuter also gave [REDACTED] a £40 gift voucher purchased by the Academy for pro bono work he undertook for QK House. Neither have declared a relationship with this supplier;
- the supplier Catano Brothers used by the Academy (from at least 2003 to 2011) has been used by Ms Shuter to undertake building work on her own home and the home of her mother but this relationship has not been declared.

Payments in respect of QK House

34. QK House is a charity set up by Jo Shuter and Irene Forster, who are directors, to provide accommodation and support for homeless students. The charity (No 1141257) and company (No 07471595) were incorporated on 16 December 2010. At a Governing Body meeting it was stated by the Chair that any work done for QK House should be done by the directors, and any other Academy staff who support them, in their own time. The QK House Trustees Report and Unaudited Accounts for the year ended 31 December 2011 states:

"All trustees give their time voluntary and received no remuneration or other benefits. In addition to the two trustees QK House had, in this financial year, several volunteers from Quintin Kynaston School who completed administrative tasks and one paid employee who organised a charity fundraising event. Criminal Records Bureau checks are carried out prior to commencement of employment by Quintin Kynaston School".

And also

"During this financial year QK House has successfully gained charitable status. Following this an event was held at the school in order to celebrate this achievement as well as raising the profile of the charity. Several high profile celebrities were in attendance and a drama performance by Quintin Kynaston School students was enjoyed by the guests".

35. During our examination of invoices, petty cash and expense claims we identified a number of payments / claims that relate to QK House that had been paid by the Academy. These amounted to £5,284.53. When we discussed the individual items with the Bursar he confirmed that:

- £4,631.05 had already been invoiced to QK house and refunded;
- £91.02 related to expenses for the Academy rather than QK House; and
- £562.46 related to expenditure for QK House that had not been reimbursed.

36. Some of the costs that have not been reimbursed relate to “expenses for the QK House event” and “QK House performance Y10 trip”. It is not clear whether the Academy were paid by QK House for holding the event referred to in their Trustee Report.

37. We discussed with the Bursar whether it was clear that administrative work undertaken for QK House was undertaken in staff’s own time. The Bursar could not confirm whether this was the case though if work was done in school time it would not be a “vast amount” of work.

Other Issues

Purchase of Flowers

38. Since becoming an Academy £3,474 has been spent on flowers. The Bursar stated that it had become customary to give flowers when members of SLT have birthdays and to present flowers to Year Heads at the end of the school year. Other examples include flowers sent to former members of staff, flowers provided to a non-staff member for help with a works experience programme and £80 of flowers provided to Ms Shuter’s sister for a talk she gave to pupils.

Questionable Payments

39. Whilst reviewing expenditure we also identified a number of other payments that we would question in value for money terms. These included:

- the purchase of a retirement gift of an ornamental tree for £49.90 for someone at Coventry County Council who Ms Shuter did consultancy work for;
- the purchase of a hamper for £61.90 on 10/11/2011 for a Governor (no name given) – the Bursar could not recall why this purchase was made;
- £550 paid to a member of staff for their visa application / renewal – the Bursar stated that the Academy have always paid this type of expense in the past;
- an expense claim by Ms Shuter for £365 for a National Youth Theatre course for a student. The claim form stated “will pay part of fee back to QK”. The Bursar said that this was for a homeless 6th form student who has since left the country and none of the fee was refunded;

- an expense claim by [REDACTED] for flowers costing £44.00 – the Bursar did not know what these were for but said they could have been for a Y13 prom;
- £67.20 for Costco membership for Ms Shuter, [REDACTED]. The Bursar said Costco was used to purchase items for the after school club but these are now purchased using the Academy's normal procurement process. The membership was purchased in September 2011. The only Costco purchase we identified in our review of financial records was in October 2011, a purchase by [REDACTED] of fireworks for the youth club to the value of £59.98 (the Costco receipt was for £185.91 indicating personal purchases were also made);
- an expense claim by Ms Shuter for £50 to pay [REDACTED] to sell school uniforms. The Bursar did not know any details about this but did say [REDACTED] has been on-site at the Academy;
- an expense claim by [REDACTED] for £100 to pay [REDACTED] to train staff in techniques of teaching reading. The Bursar did not know any details about this but did say [REDACTED] has been on-site at the Academy.

Employment of Staff Family Members

40. A number of issues relating to the employment of family members have already been identified and are being investigated by the Trust. We have not reiterated the issues in this report.

Purchase of Chairs for Ms Shuter

41. It has also been identified that the Academy purchased chairs to the value of £1,579.56 which were delivered to Ms Shuter's home address. Ms Shuter then brought chairs into the Academy she had previously purchased which were more expensive. However we understand the evidence of purchase to support this has not been provided by Ms Shuter.

Use of Academy Staff Resources for Personal Activities

42. Mrs Shuter's PA undertakes other work for Mrs Shuter not related to Academy business, such as organising her consultancy/conference speaking engagements, booking flights for family holidays, organising aspects of the rental of her Turkish Villa, arranging social events for her and administration work for QK House.

43. As stated earlier other staff members have also been involved in undertaking work for QK House and it is not clear whether this work has been undertaken in their own personal time or in the Academy's time.

Quintin Kynaston Financial Management and Governance Evaluation validation

SUMMARY OF FINDINGS

The EFA assurance team has concluded that following their validation of the full Financial Management and Governance Evaluation (FMGE) they do not agree with the Academy's self-assessment of Good. Their assessment is **Inadequate**

We have undertaken the validation of Quintin Kynaston Academy's Full Financial Management and Governance Evaluation return and do not concur with the academy's self-assessed grade of "**Good**". Our assessment is '**Inadequate**' because the evidence we have seen indicates that there were insufficient controls in place to ensure proper financial oversight, internal control and proper and regular use of public funds. It is clear that elements of this unsatisfactory position had been in place prior to the academy status from November 2011. The Governing body had considered strengthening elements of the control framework as an Academy such as the financial regulations manual but had agreed to review this after the first year of operating as an Academy.

SUMMARY OF OUR VALIDATED GRADES

Area	The academy's self assessed grades from its FM&G return		The AFM team validated grades	
	Grade derived from part A requirements	Grade derived from part B best practice	Grade derived from part A requirements	Grade derived from part B best practice
1) Financial oversight	Satisfactory	Satisfactory	Inadequate	Inadequate
2) Financial planning	Good	Good	Satisfactory	Satisfactory
3) Internal control	Satisfactory	Satisfactory	Inadequate	Inadequate
4) Financial monitoring	Good	Good	Satisfactory	Satisfactory
5) Proper and regular use of public funds	Good	Good	Inadequate	Inadequate
Overall assessment of financial management and governance	Good		Inadequate	

The significant weaknesses we identified during the course of our review are listed below.

Financial oversight

- The Principal, as Accounting Officer, is personally responsible to Parliament and to the accounting officer of the EFA for the resources under their control. The Accounting Officer is personally responsible for the regularity and propriety of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; for ensuring value for money; and for the efficient and effective use of all resources in their charge. Essentially, Accounting Officers must be able to assure Parliament and the public of high standards of probity in the management of public funds. These responsibilities extend to the prevention of loss through fraud and irregularity. **The Accounting Officer did not undertake her responsibilities with respect to the management of the Academy's funds.**
- The Academy currently only has a superficial scheme of delegation which does not clearly identify financial powers. **A detailed scheme of delegation is needed in order that relevant issues are brought to the Governing Body as required rather than being left to the discretion of key personnel. Financial limits for authorisation purposes also need to be documented and approved as a matter of urgency.**
- The board of trustees of an AT is also responsible for preventing such losses of public funds, and this means that ATs must be aware of the risk of fraud and irregularity to occur within their organisations and they must, as far as possible, address this risk in their internal control and assurance arrangements by putting in place proportionate controls. The on-going investigation clearly indicates that the controls in place are not robust enough to prevent any irregularity or impropriety. **The Governing Body should ensure that more robust controls in line with the requirements of the Academies Financial handbook are in place to ensure regularity, propriety and value for money in the use of public funds.**
- The Governing Body is required to establish a committee which reviews the risks to internal financial control and agree a programme of work which addresses these risks, informs the statement on internal control and, as far as possible, provides assurance to the external auditors. **The Governing Body has discharged this responsibility to date: the programme of checks which the Responsible Officer (RO) has been carrying out was agreed but these checks have highlighted no specific weaknesses despite the inappropriate expenditure that was being claimed by the Accounting Officer**

- The Academy Bursar acts as clerk to the Governing Body. Whilst this is not a contravention of the Academies Financial Handbook, it is not to be recommended in the interests of independence. **The Governing Body may benefit from the services of a professional clerk who is fully trained and up to date with current requirements.**

Internal control

- The Academy does not have an up to date internal Financial Procedures and Regulations manual which has been approved by the Governing Body for staff guidance and reference. **This should be addressed as a matter of urgency as the manual of the predecessor school is out of date and no longer adequate. Both the Accounting Officer and Governing Body should have ensured that this was in place**
- The Academy does not have a fraud policy in place. **It is good practice to have a fraud policy in place for staff and governors to make them aware of different types of fraud (eg claiming overtime when hours have not been worked) and reinforce the policy of how potential offenders will be dealt with.**
- The Governing Body is required to approve a set of accounting policies which will then appear in the annual accounts. **The Governing Body had not yet reviewed and agreed the accounting policies at the time of our visit – this has now been carried out on the presentation of the Accounts in November 2012.**

Proper and Regular Use of Public Funds

- The Academy does not have a policy for staff and governors on the acceptance of gifts and hospitality and an accompanying register. **The Governing Body should ensure that a policy is adopted and disseminated without delay and that a register is put in place. Governors should consider reviewing the register on a periodic basis for assurance that appropriate decisions are being made. The Governing Body should also consider the need to address the risk to the Academy of the Bribery Act 2010.**
- Lack of financial oversight by the Governing Body, in conjunction with inadequate financial procedures, has resulted in expenditure by the Academy which would not stand up to public scrutiny. **The Governing Body should ensure that procedures are in place whereby all expenditure represents value for money. When giving gifts, the decision to do so must be fully documented, in accordance with the new Academies Financial Handbook.**
- Many governors and staff have not completed declarations of interest forms since 2009 and it is apparent that some interests have not been declared. **This is indicative of the lack of internal control and oversight in the**

Academy. Declarations of interest should be completed on an annual basis and updated as necessary if the individual's circumstances change. Governors and members of staff who complete a declaration should be aware of the significance of the document and ensure that they do not overlook anything which may be relevant.

- The Academy refers to the procurement and tendering procedure as advised previously by the Local Authority in the absence of a revised financial procedures manual. The Academy also acknowledged that some procurement has taken place outside of the LA guidelines. **It is a requirement of the Academies Financial Handbook that a competitive tendering policy is in place and is applied therefore the GB should seek to do this as soon as possible to ensure propriety and value for money in the process.**
- The HM guidance publication "Guidance on Codes of Practice for Board Members in Public Bodies" has not been circulated to governors. **It is essential that all governors have sight of this document and are aware of their duties and responsibilities as governors and/or trustees.**