



Department
for Education

The Bilingual Primary School Brighton and Hove investigation report

April 2014

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

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Introduction

1. On 23 January 2014, The Bilingual Primary School Brighton and Hove (BPS) informed the Education Funding Agency (EFA) that they believed allegations may be made against BPS. Later the same day, the EFA was contacted by a whistle blower with details of possible financial irregularities at BPS. Following triage by DfE's Internal Audit Investigation Team (IAIT) it was agreed that IAIT would undertake an investigation into the alleged financial irregularities raised.
2. Terms of reference for the investigation were agreed with the EFA lead officer, Tony Foot, Deputy Director of Academies South. The investigation was undertaken by [REDACTED] (Head of Investigations) and [REDACTED]

Management summary

3. The whistle blower made a number of allegations in relation to the running of the academy and these have been fully investigated and reported on. In summary, the allegations were that:

- i. BPS made payments to the Chair of Governors (Chair) for services provided by the Chair to the academy.
- ii. BPS did not follow adequate procurement and financial approval processes for payments.
- iii. The Chair and headteacher acted together to commit and conceal fraud at BPS, including by blocking improvements to the academy's financial management systems.

The full set of allegations are attached at annex A.

4. The review found no evidence of fraud or attempts to conceal fraud. Some aspects of allegations concerning payments to the Chair and lack of competitive procurement had substance. However, a number of allegations were either overstated or did not have substance. In particular, there was no evidence that the headteacher and Chair blocked suggested improvements to the academy's financial management systems or that the academy had deliberately avoided recruiting permanent finance staff. The review did not identify major issues in relation to the use of funding for the lead-in period and the academy's grant funding.

5. The published accounts for the period ended 31 August 2013 highlighted related party transactions totalling £5,000 for the year that had been paid to the Chair. We identified a total of £10,800 that the Chair had been paid since the start of the lead in period to date for services including marketing, individual parent tours, website development and management, uniform research and stationery procurement. These services were not properly procured or in compliance with the requirements of the Academies Financial Handbook. However, they were provided at a low daily rate of £40-£50.

6. The academy was subject to an EFA visit to validate their Financial Management and Governance self-assessment in June 2013. This highlighted a number of gaps in relation to financial management and governance arrangements then in place. It is clear that the action plan that resulted from that visit has not been implemented yet in full. At time of visit, the academy had not yet put in place formalised procedures in regard to a finance procedures manual, procurement guidance or staff guidance for expense claims. Hospitality and gift registers are not yet in place.

7. The Academies Financial Handbook requirements are only being met in part. The minutes of governors meetings reflect the lack of an experienced Clerk. The Chair has continued in the role since a Project Steering Group meeting on 15 September 2010 and has not been formally confirmed by the governing body.

Findings

Payments

8. A review of all expenditure from the start of the lead in grant to the current date did not highlight any major issues in regard to use of academy funding. The published accounts for the year ended 31 August 2013 highlighted related party transactions totalling £5,000 for the year, which included reference to the Chair receiving payment for services provided to the academy. We identified that the Chair had received in total £10,800 from the start of the lead in period to date for various services provided to the academy which included marketing, individual parent tours, website development and management, uniform research and stationery procurement.

9. There was no evidence that any attempt had been made to put the delivery of these services out to competitive procurement nor did a contract for the services exist. The payments do not meet with the requirements of the Academies Financial Handbook which states that academies “trustees must not gain from their position by receiving payments under preferential terms” and “must ensure that there are no payments to any trustee/governor unless such payments are permitted by the articles of association and comply with the terms of any relevant agreement with the Secretary of State.” Whilst the services appear to be acceptable under the Articles, no agreement has been sought from the Secretary of State.

10. The academy stated that they had received advice in relation to the payments from their solicitors. At the same time, the services were provided at a low daily rate of £40-£50.

11. The academy had an afterschool club that had been run by teaching assistants, but this was unsustainable due to the demands it placed on teaching assistants’ time. At the time, according to the headteacher, tendering processes had not been in place and the delivery of the club had been agreed with a third party to which the Chair provides supervisory support at no cost to the academy.

12. An examination of records made available by the Chair and the headteacher confirmed that a mistaken overpayment of expenses had taken place. When this error was brought to light, the monies were recovered in advance of allegations being made and our review.

13. There was some evidence of minor payments to suppliers being made without authorisation by the headteacher which had been identified and highlighted internally for post payment authorisation. These had occurred in October 2012 shortly after the academy opened.

14. There was also more recent evidence (January 2014 for a payment due September 2013) that payments were not being made in good time. Specifically, the insurance was only paid following a final reminder advising that cover was being withdrawn.

15. These issues are symptomatic of the problems that the academy has been experiencing in its attempt to secure relevant financial expertise within its management structure.

16. The academy does not operate business credit cards and the use of a debit card had ceased. There were records of purchasing supplies for children's snacks that was undertaken by the headteacher using her own personal card, for which reimbursement was then obtained from the academy using a formal claim process which included proper authorisation.

Action Plan

17. The academy has still to put in place the requirements of the Action Plan that was agreed with the EFA following the standard External Assurance visit in June 2013. At time of visit there were no documented policies in relation to procurement, travel and subsistence or hospitality, gifts etc. We were shown the agenda for the next governors meeting, held in March 2014, which was to discuss which committees will be dealing with which policies.

Academies Financial Handbook

18. The Academies Financial Handbook is only being met in part and our review of the minutes of the governors meetings identified issues that highlight the lack of an experienced clerk to minute and report on the meetings. We were concerned that the election of the current Chair did not from the minutes appear to have followed normal protocols. The Chair has continued in the role since a Project Steering Group meeting on 15 September 2010 and has not been formally confirmed by the governing body.

Financial Management

19. The academy has struggled to engage suitable financial expertise to assist them in developing and maintaining their financial processes and procedures. A temporary solution provided by bought in services from a qualified accountant is currently their financial support. A qualified administrator joined the academy on a permanent basis in March 2014.

20. We reviewed financial records from the start of the lead in funding to February 2014 and did not identify any patterns of irregular expenditure. We identified the

payments to the Chair, as outlined above. We also identified the evidence above of minor payments made to suppliers without authorisation by the headteacher which had been identified and highlighted for post payment authorisation.

Recommendations

For the Academy

21. That the action plan resulting from the June 2013 EFA visit is implemented immediately, and further developed to reflect the issues raised through this review.
22. That the payments to the Chair are considered with reference to the requirements of the Academies Financial Handbook and proper procurement practices.

For the EFA

23. The EFA should consider what action should be taken in regard to the payments made to the Chair.
24. A follow up visit by External Assurance should take place in July 2014 to ensure that action plans have been implemented and processes and procedures are in place to demonstrate probity and regularity in relation to use of academy funds.

Annex A

Full Allegations

- The Chair overpaid £845 expenses to the headteacher which the headteacher delayed paying back to the academy.
- The headteacher provided the Chair with a contract to run an afterschool club without undertaking a tender process.
- The academy employed a friend of the Chair to run a summer club; the friend then passed some of the income received from the academy to the Chair.
- The headteacher agreed to pay £300 per week for consultancy work to the Chair for which invoices were submitted before the matter went to the governing body.
- The headteacher spent undisclosed sums on her personal credit card for which she sought the academy's reimbursement without governing body approval.
- The cost of restaurant food arising from staff social events was paid for from the academy's budget and recorded as 'recruitment' expenses.
- The Chair used the academy's debit card for purchases including a subscription to 'survey-monkey' without governing body approval.
- The academy paid the Chair approximately £1,000 in the financial year 2012-13.
- The headteacher and Chair blocked the whistle blower's suggested improvements to the academy's financial management systems in order to conceal fraud from the governing body.
- The academy has deliberately avoided recruiting permanent finance staff to facilitate continued fraud.



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