



Education
Funding
Agency

Park View Educational Trust

Investigation report

February 2015

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EXECUTIVE SUMMARY

1. The Education Funding Agency (EFA) commissioned an investigation into allegations of fraud and irregularity at Park View Educational Trust (PVET) and one of the schools in the Trust, Park View School. The investigation was undertaken in June 2014 and the terms of reference are included at Annex A.
2. The Trust is now led by new Trustees and there is a new Accounting Officer in post. These allegations relate to the period prior to the appointment of these new Trustees, when the Accounting officer was Lindsey Clark and then Hardeep Saini as interim from April 2014. The new Trustees took office on 16 July 2014 and are not implicated in the failings outlined here in the report.
3. The review did not find any evidence that the Trust had been subject to either internal or external fraud. There are a number of instances where the lack of both policies and procedures for the Trust and Park View School make it difficult to assess whether policies and processes have been breached. This is indicative of a poor financial control environment and leaves them susceptible to the risk of fraud and error and also puts them in breach of their responsibilities under the Funding Agreement and the Academies Financial Handbook.
4. Approximately £55,000 of irregular expenditure was identified during the review period, though the EFA has now concluded a much higher sum (c. £70,000) as being irregular expenditure, relating to legal and public relations (PR) fees. The EFA has recovered this expenditure. There is also a salary overpayment of approximately £4,400 for one member of staff which remains outstanding 14 months after the matter was raised with the individual. The Trust must action this without further delay

BACKGROUND

5. The Education Funding Agency (EFA) commissioned an investigation into allegations of fraud and irregularity at Park View Educational Trust (PVET), and Park View School in particular, between 1 April 2012 and 31 May 2014. The investigation was carried out under the terms of reference at Annex A. This investigation was based on new and separate allegations to those that prompted the investigation undertaken in March 2014.

6. This report sets out a summary of the findings from the investigation. The allegations relate to some common themes and the findings are therefore presented under these theme headings.

7. The record keeping at both the Trust and the academy is limited in nature and records have not been retained, are incomplete or have not been updated. Not all documentation requested for the investigation was provided and this matter has limited the investigation.

8. It is understood that Park View School policies and procedures are prepared and approved by PVET. These policies are then adopted by Park View School. Where PVET policies and procedures were provided, it was assumed that these apply to Park View School.

9. The Accounting Officer has responsibility for the overall management and staffing of the Trust and is responsible to Parliament and to the Accounting Officer of the EFA for the resources under their control and must be able to assure Parliament and the public of high standards of probity in the management of public funds. This includes regularity, propriety and value for money.

FINDINGS

Governance, policies and procedures

10. There are a lack of both policies and procedures for the Trust and Park View School. This is indicative of weaknesses in the financial control environment and leaves them susceptible to the risk of fraud and/or error.

Pupil Premium

11. It was alleged that Pupil Premium monies have been inappropriately spent with the public relations company [REDACTED] and to fund a staff trip to the House of Commons.

12. There is no policy which relates to Pupil Premium funding or its expenditure and no specific associated financial controls. It cannot be determined if Pupil Premium funding was used to make payments to [REDACTED] or to fund a staff trip to the House of Commons. Approximately £27,000 was paid to [REDACTED] without any EFA authorisation.

Overtime, banked hours and clocking in / out

13. There is no formal documented process covering banked hours, overtime or the clocking in/out process. There is also no clear method for selecting which staff work during events to be paid as overtime, or for recording the additional hours worked where staff work off-site or outside of school hours. The lack of stated policy, clear accountability and associated controls places public funds at risk.

14. Staff interviewed expressed inconsistent views about when overtime could be claimed, at what rate and when overtime applied. Interviews with staff identified that agreements had been reached between [REDACTED] [REDACTED] and two individuals during 2014 for unworked hours to be written off or carried forward to the next academic year.

15. Park View School's [REDACTED] [REDACTED] paid overtime totalling approximately £13,000 between 1 April 2012 and 31 May 2014, representing between 21.1% and 26.4% of the annual salary range for the individual's current role. It is unclear whether the overtime claimed is part of the [REDACTED] job description. It is of note that this individual has claimed additional hours for Sunday revision classes when no overtime request has been submitted by others who have worked during the same session and no accountabilities were triggered. Generic reasons for these instances were provided [REDACTED] [REDACTED] during this investigation.

Paid / unpaid leave

16. There is no policy for paid / unpaid leave arrangements, including what type of leave would be paid or unpaid. It was acknowledged by [REDACTED] [REDACTED], that the lack of policy means that there may be inconsistencies in the application of paid / unpaid leave. Documentation is incomplete and inconsistencies were noted between instances where staff were permitted to take paid leave or whether the leave was unpaid.

Procurement

17. A Financial Procedure Manual (FPM) was introduced in March 2014. There were no formally documented procedures prior to this date. The Financial Procedure Manual is generic and does not contain detailed procedures covering all aspects of financial processes.

18. The FPM requires a register of interests to be maintained but there was no evidence of this or of any mechanism for identifying or managing conflicts of interest. During the academic year 13/14 an order form was introduced at Park View School but it is not clear at which point this change was implemented. There are a number of examples where this ordering process is not followed and the school cannot demonstrate that value for money was obtained at the time the expenditure was incurred.

19. During the investigation Park View School staff declared relationships between three members of staff and one supplier, [REDACTED]. Since the school became an Academy in April 2012, expenditure with [REDACTED] has totalled approximately £2,400. No familial relationships between Park View School's [REDACTED] and any of the School's suppliers were identified.

20. A review of the invoices from [REDACTED] [REDACTED] and other coach companies used by the Park View School showed that the average cost per seat per mile is less for [REDACTED] [REDACTED] than other suppliers.

Financial control and value for money

21. Five allegations were made in relation to financial control and value for money matters. The findings in relation to these allegations are:

- There is no policy for the use of the School's debit account.
- Receipts for spend incurred using the debit account cards are not retained by the School.
- During a school trip, approximately 65 pupils and staff family members attended alongside 60 pupils and staff. It appears that no additional cost was incurred as a result of inviting further staff family members, as the buses had already been booked and catering was not funded by the School.

- There was no activity by Park View School to obtain repayment from the staff member for an overpayment of approximately £4,400 for 10 months after being informed by the Local Authority of the overpayment. The overpayment remains outstanding, 14 months after the matter was raised with the individual. At the time of the review, there was no documented plan of action to recover overpayment.
- The Trust has incurred costs of approximately £28,000 on Solicitor Costs that have not been authorised by the EFA. These costs were incurred challenging the Ofsted reports.

Recruitment

22. A recruitment policy was introduced by PVET in September 2013. There was no formal documented policy prior to this date. It states that staff must declare close personal or family relationships with applicants as soon as they are aware of an individual's application and that they must then avoid any involvement in the recruitment, selection and decision making process.

23. There are significant gaps in the documentation for the recruitment of three [REDACTED] at Park View School. It appears that the [REDACTED] worked at the Park View School prior to it becoming an Academy and their employment was recommenced when the leisure facilities were reopened without any recruitment procedures being undertaken. Park View School is currently undertaking an exercise to complete documentation which is missing from these individuals' personnel files.

24. Recruitment of five individuals specifically named in the allegations took place prior to the recruitment policy being in place. However, a comparison of the recruitment documentation for these five individuals to the policy showed a number of gaps in the recruitment process, including evidence of advertising the posts. Three of the five individuals were known to [REDACTED] [REDACTED] through his secondment to [REDACTED] [REDACTED]. There is no evidence that this relationship was declared but [REDACTED] [REDACTED] was involved in the recruitment process for these three individuals.

25. No payroll forms for senior management team members were identified which included a disclaimer written by the former [REDACTED]. However, disclaimers were noted on some new starter and payroll change forms for non-senior management team staff. It appears that these comments were not discussed with [REDACTED] [REDACTED] at the time and that these changes were processed through payroll. However, it has not been possible to discuss this issue with the former [REDACTED].

RECOMMENDATIONS FOR THE PVET BOARD

26. Prepare an action plan to inform the EFA how issues identified below will be addressed. The plan should identify who is responsible for each action.

27. Review the policies and procedures in place at both PVET and the Park View School to ensure these are complete and sufficiently detailed. The documentation requirements should be set out and appropriate escalation procedures included. There should be a periodic review set out to ensure that the policies and procedures are up to date and improved as required.

28. Create/update the policies below and ensure that they are communicated to relevant staff:

- Pupil premium expenditure to include details of how the funding and associated expenditure is managed and approved, by whom and what the reporting requirements are.
- Overtime, banked hours, paid/unpaid leave that clearly identify the authorisation, monitoring and evidence requirements.
- Recovery of salary overpayments to include: details of when staff are required to clock in/out; circumstances where it is anticipated that clocking in/out is not possible; the process to follow if it is not possible to clock in/out; and the process for resolving issues when clocking in/out is missing or incomplete.
- Recruitment policy update to include details of the document retention requirements for the recruitment process and the requirements for assessing the cost implications of new roles or changes to existing ones. The role of the Trust in decision making and in monitoring the process should also be included.

29. Establish a mechanism to communicate the policies and procedures to all staff providing appropriate training where required. This should include updates where improvements or changes have been made. Checks should be developed to ensure that both PVET and Park View School's policies and procedures are adhered to.

30. Ensure that Park View School's finance system separately identifies spend funded by Pupil Premium monies and that an individual is designated to monitor this on a periodic basis. Details of how Park View School spends its pupil premium funding must be published on its website and include: the pupil premium allocation for the current academic year; details of how the school intend to spend the allocation; details of how the spend from the previous year was spent; how it made a difference to the attainment of disadvantaged pupils.

31. Review and update the Financial Procedures Manual and communicate this to staff. Specifically the Manual should be less generic and include detailed policies and

procedures covering all aspects of financial management for both the Trust and its academies.

32. Put in place a scheme of delegation with authorisation limits reviewed, including limits for Pupil Premium. This should specify the role of budget holders, ensuring clear roles and responsibilities are set out and appropriate training is provided.
33. Ensure an ordering process is required for all spend. The only exclusions, such as reimbursement of staff for previous expenditure, should require written formal approval from the Accounting Officer. Circumstances which would warrant an exclusion should be explicitly referenced in the Financial Procedures Manual.
34. Require receipts and supporting evidence for spend incurred using PVET's debit account and ensure that they are retained.
35. Review the arrangements for organising events and how adequate forward planning is carried out by the School to ensure that School funds are best used.
36. Recover the salary overpayments to the staff member as a matter of urgency.
37. Review a summary of actual and budgeted spend presented at the PVET Board as part of regular financial reporting.
38. Review the role of the Principal Finance Officer in conjunction with the requirements of the Academies Financial Handbook.
39. Review how the PVET Board, in conjunction with the Principal Finance Officer, ensure appropriate governance arrangements are in place, through testing and monitoring compliance with the Financial Procedures Manual.

ANNEX A – TERMS OF REFERENCE

Internal Audit Investigation Team (IAIT)

Terms of Reference

Investigation title: Case EO62 – Parkview Educational Trust (referred 17/6/14)

Background

1. This Trust has been the subject of an investigation by EFA and subsequent to that investigation allegations have been received that allege a number of activities have taken place, funded by the Trust that have raised concerns that fraud or irregularity has taken place.
2. The allegations refer to activities generally, by members of staff and by the [REDACTED]

Objective and timescales of investigation

3. The investigation will seek to establish whether the allegations can be substantiated.
4. The Trust will be visited week commencing 23rd June 2014.

Scope of investigation

5. Interviews with key people to achieve understanding of the systems and processes in place in respect of the areas covered by the allegations
6. Examination of documents to enable a view to be taken on the validity of the allegations.

Investigation team

7. The investigation will be undertaken by XDIAS.

EFA Lead Officer

8. The EFA Lead Officer for the investigation will be David McVean

Reporting arrangements

9. A draft report will be produced and be issued to Chair of Governors
10. A final report will be issued within two weeks of agreeing the draft report with

TOR agreed by: David McVean, Deputy Director, EFA

20 June 2014

ANNEX B – LIST OF ALLEGATIONS

The investigation covered 20 allegations. This included 14 allegations which were provided at the beginning of the investigation and a further six allegations, which were provided during the course of the investigation. Where possible, new information and allegations received were incorporated with existing allegations that appear to be related.

Pupil Premium

- It was alleged that Pupil Premium monies have been inappropriately spent with the public relations company [REDACTED] and to fund a staff trip to the House of Commons.

Overtime, banked hours and clocking in / out

- Park View School employs some staff on all year contracts. As at June 2014, there were 18 members of support staff on this type of employment contract. It is understood that these individuals are permitted to work additional hours in order to accumulate (bank) sufficient hours to take the school holidays as leave.
- It was alleged that members of staff who are required to bank hours have instead claimed overtime and that there are inconsistencies in the number of hours and the overtime rate claimed by a number of staff. Specifically by the [REDACTED] for example, when working during Sunday revision classes and residential events. The allegations made suggest that an investigation by members of Park View School's senior management team into one specific instance was not carried out appropriately and that there is favouritism in selecting who works during classes or events for which staff are paid overtime.
- It was alleged that some staff are not clocking in and / or out, which impacts on the School's ability to monitor each member of staff's total number of banked hours.

Procurement

- Allegations were made in relation to there being conflicts of interests between Park View School's [REDACTED], and the School's suppliers, in addition to the procurement process at the Park View School not being followed, which impacts on the School's ability to evidence that it has obtained value for money.

Recruitment

- It was alleged that the three [REDACTED] working at Park View School's leisure facilities were recruited without any process being followed and that these [REDACTED] are related to Park View School's [REDACTED].

- It was alleged that five individuals were recruited to the Park View School based on their relationships with existing staff and that the recruitment process was not appropriately followed.
- It was alleged that the former [REDACTED] raised concerns about changes to payroll for the senior management team.



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