



## ESFA Investigation Outcome report

### Provider: The Heart Education Trust

#### Background

In January 2024, the Education and Skills Funding Agency (ESFA) started an investigation into the following allegations relating to financial irregularity at The Heart Education Trust, (Registered office Norwich)

- Improper recruitment arrangements for senior management
- Circumvention of controls and related party transactions
- Expenses claimed by senior management
- Concerns regarding the constitution of the Board of trustees

#### Outcomes of the investigation

- The trust appointed a staff member to leadership roles without open competition.
- A senior external hire bypassed the trust's standard recruitment procedures. The role was not advertised, and no formal references were obtained.
- The trust entered into 4 related party transactions totalling £4,747 with a former senior staff member without proper policies, contracts or adequate value for money assessments. These were not disclosed in the trust's annual accounts or reported to the ESFA, as required.
- Over the course of a 7-month period, a senior leader held two roles simultaneously. The segregation of duties was compromised with limited scrutiny and challenge. This breached ESFA requirements as set out in the Academy Trust Handbook.
- The investigation identified spend on 2 training courses for a senior leader totalling £24,050 without sufficient evidence of value for money assessments, as required by trust policy. There was evidence of Board approval for one of the two courses.
- Expense claims were examined and £457 in taxi costs between January 2023 and February 2024 were paid to a senior staff member. These were outside of trust policy.
- The trust failed to hold key committee meetings such as the Audit and Risk Committee during 2022-23. Board membership changes, weak policies and lack of maintained coverage from a governance professional led to control failures and increased risk.
- From December 2023, Board minutes were often lacking detail and declined in quality, making it difficult to track key decisions. This prevented assessment of the factual basis and rationale for the Board's actions and decisions.
- The trust did not meet requirements to retain records to verify provision delivered by it for at least 6 years.

The following breaches of the Academy Trust Handbook (ATH) (formerly the Academy Financial Handbook (AFH)) were identified:

Framework	Breach	Issue
<p>Non-compliance with mandatory ATH requirements from 2021.</p> <p>*As per the ATH <a href="#">2023</a>:</p>	<p>Sections:</p> <p>1.10-1.12</p>	<p>Roles and Responsibilities – Trustees:</p> <p>1.10 - The board was not providing effective accountability and assurance around ensuring appropriate use of funding</p> <p>1.11 - Trustees were not ensuring robust governance, critical for effective financial management</p> <p>1.12 – Trustees did not follow Directors’ duties as described in the Companies Act 2006</p>
	1.28	<p>The accounting officer:</p> <p>1.28 - The trust breached the requirements for the separation of roles of accounting officer and chief financial officer</p>
	1.31-1.33	<p>1.31 – The accounting officer(s) did not show high standards of probity in the management of public funds, particularly regularity, propriety and value for money</p> <p>1.32 - The accounting officer(s) did not adhere to</p>

Framework	Breach	Issue
		<a href="#">The 7 principles of public life.</a>  1.33 - The accounting officer did not have sufficient oversight of financial transactions  Role of the chief financial officer: 1.39 - The trust had not always ensured the CFO post holder(s) were suitably qualified and/or experienced.  The governance professional: 1.41 - The trust had not ensured consistent and maintained coverage from a governance professional  Main financial requirements- Financial oversight:  2.1 - Trustees and management had not maintained robust oversight of the trust  2.2 - The trust had not taken full responsibility for its financial affairs  Scheme of delegation:
	1.39	
	1.41	
	2.1	
	2.2	

Framework	Breach	Issue
	2.5-2.7	<p>2.5 - The trust did not maintain arrangements for a finance committee resulting in inadequate financial scrutiny and oversight</p> <p>Basic control principles:</p> <p>2.6 - The trust did not have sound control, risk management and assurance processes</p> <p>2.7 - The Trust had not ensured a robust control framework was in place</p>
	2.24	<p>Procurement and spending decisions</p> <p>2.24 - The trust did not always show public funds had been used as Parliament intended</p>
	2.25	<p>2.25 - The trust failed to demonstrate propriety in the use of public funds in relation to actual or perceived conflicts of interest and that spending decisions always represented value for money</p>
	3.1-3.3	<p>Internal scrutiny- Purpose of internal scrutiny:</p> <p>3.1 - The trust had failed to ensure that systems for</p>

Framework	Breach	Issue
	<p data-bbox="592 898 695 931">3.6-3.8</p> <p data-bbox="592 1944 659 1977">3.10</p>	<p data-bbox="1026 185 1410 259">scrutiny were effective and compliant</p> <p data-bbox="1026 315 1433 434">3.2 The trust had not ensured appropriate internal scrutiny</p> <p data-bbox="1026 468 1406 629">3.3 The trust had not deployed a risk-based approach to areas it would review each year</p> <p data-bbox="1026 730 1390 848">Directing internal scrutiny Requirement for a committee:</p> <p data-bbox="1026 904 1422 1023">3.6 - The trust did not maintain requirements for an audit and risk committee</p> <p data-bbox="1026 1057 1433 1218">3.7 - The trust audit and risk committee therefore failed to meet at least 3 times a year</p> <p data-bbox="1026 1319 1121 1352">Remit:</p> <p data-bbox="1026 1386 1426 1727">3.8 In the absence of the audit and risk committee, the trust did not oversee and approve a programme of scrutiny, ensure risks were addressed or reported on the adequacy of the framework</p> <p data-bbox="1026 1827 1294 1901">Membership of the committee:</p> <p data-bbox="1026 1935 1406 2009">3.10 The Trust failed to comply with the necessary</p>

Framework	Breach	Issue
	<p>5.36</p> <p>5.38-5.41</p>	<p>standards for committee membership. The Chair of the Board should not be the Chair of the audit and risk committee</p> <p>Delegated authorities Related party transactions:</p> <p>5.36 - The trust did not ensure they were even handed in their relationships with related parties</p> <p>5.38 - The Board did not ensure effective oversight for managing personal relationships with related parties to avoid both real and perceived conflicts of interest</p> <p>5.39 - The trust failed to recognise that some relationships with related parties may attract greater public scrutiny</p> <p>5.40 - The trust failed to maintain adequate records and make sufficient disclosures in their annual accounts for related party transactions</p> <p>Reporting and approval:</p> <p>5.41 - The trust failed to report all contracts and agreements with related parties to ESFA</p>

Framework	Breach	Issue
	6.5	<p>The regulator and intervention</p> <p>Retention of records:</p> <p>6.5 – The trust did not retain records to verify provision delivered by it, or its sub-contractors at least 6 years after the period to which funding relates</p>

\*AFH/ATH non-compliance reported as per latest handbook when breaches occurred but were also included within previous versions. These are available at: [Archive Timeline - UK Government Web Archive \(nationalarchives.gov.uk\)](https://nationalarchives.gov.uk)

## Action

Alongside the ESFA investigation, DfE Regions Group led its own intervention with the trust, which led to all of the trust's schools transferring to a different multi-academy trust on 1 September 2024.

## Prevention

Upon the conclusion of the investigation, the ESFA undertook a prevention analysis exercise to establish what could have been done to prevent the breaches that were identified in the investigation.

Issue	Prevention
<p>Roles and responsibilities -</p> <p>The accounting officer</p>	<p>Trusts should ensure that the roles of accounting officer and chief financial officer should not be occupied by the same individual.</p> <p>Trusts can also refer to part 1 of the ATH which details the roles and responsibilities of key people responsible for running academy trusts.</p>
Internal scrutiny – Approach	Trusts must ensure that they have robust internal control, risk management and assurance processes in place. Trusts must have an Audit and Risk Committee

Issue	Prevention
	to oversee their internal scrutiny and that committee must meet at least 3 times a year.
Financial oversight - Finance Committee	Trusts should have a finance committee to which the board delegates financial scrutiny and oversight, and which can support the board in maintaining the trust as a going concern.
Main financial requirements – Procurement and spending decisions	Trusts should ensure that they have a robust policy and procedures for procurement. Trusts should ensure that their procurement is open, fair and transparent, value for money and they should ensure that they have documentary evidence of the decisions that have been made.
Delegated authorities – Related party transactions	<p>Trusts should create clear and detailed policies for handling conflicts of interest and related party transaction (RPT) disclosures. The policy should include when RPTs must be reported and approved by the Department for Education.</p> <p>Trusts must ensure compliance with the principles applying to related party relationships. Trusts can refer to part 5 of the ATH which detail these.</p>
Governance professional	Trusts must appoint a governance professional to support the board of trustees, who is someone other than a trustee, principal or chief executive of the trust.