



Education  
Funding  
Agency

# **Review of financial management and governance at Leverton Church of England Academy**

**Final report**

**March 2015**

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## Executive summary and conclusions

1. The Education Funding Agency (EFA) has received complaints from both governors and the headteacher regarding financial management and governance at Leverton Church of England Academy (the academy). EFA officials visited the academy on 16-18 July 2014 with a focus on the period after conversion to academy status (1 April 2012).
2. The headteacher was absent from duty during the visit, during which, a significant amount of material was examined. Following a review of the visit findings, EFA offered the headteacher an opportunity to discuss the issues raised. This meeting took place on 7 November 2014.
3. Further information was subsequently requested from the academy which has been reviewed and this report summarises our conclusions.
4. The academy's governing body is responsible for the proper stewardship of trust funds, including regularity and propriety, and for ensuring economy, efficiency and effectiveness in their use. Further, the governing body has a responsibility, under the Academies Financial Handbook, to appoint an accounting officer, normally the headteacher, who has specific responsibilities for financial matters. The role includes a personal responsibility to Parliament, and to the Secretary of State, for the financial resources under the trust's control.
5. We have been unable to establish whether or not the governing body made this appointment, with the result that, for a considerable period following conversion to academy status, this role was not being discharged either by the headteacher or by anyone else at the academy. This represents a serious failure in oversight by the academy's board.
6. There is evidence that academy financial control and recruitment procedures have been weak with relationships between governors and staff breaking down. These weaknesses have allowed irregularities to occur and for some of the requirements of the Academies Financial Handbook to be breached, in particular:
  - 6.1. Recruitment of staff has not been undertaken transparently. Several appointments have been made where there is a personal connection to either the headteacher or chair of governors. There is a lack of evidence to demonstrate the recruitment process followed.
  - 6.2. The academy debit card has been used inappropriately. In particular the card was used for the purchase of ICT equipment and school meals. No purchase orders were raised.
  - 6.3. Several receipts for items paid for by the academy had the headteacher's personal home address as the delivery or invoice address.

- 6.4. Open and transparent procurement processes have not been followed for the appointment of consultants.
- 6.5. A lack of policy regarding personal IT use has allowed the academy main server to become over-loaded with personal music files.

## Findings of the review

7. The EFA has received complaints from both governors and the headteacher of the academy covering a wide range of issues. The complaints suggested that relationships had broken down and that a review of financial management and governance was required.

8. This report considers compliance with the Academies Financial Handbook. It does not extend to matters relating to the ongoing dispute between governors and the headteacher, as these are matters for the academy trust to address.

9. The EFA visited the academy on 16-18 July 2014 and officials reviewed academy documents and met with:

10. Governors: Chair of Governors - Victoria Brelsford; Governor - Andy Jee; and the vice-chair of governors, Rev. Felicity Ferriter.

11. Staff: the acting headteacher – Rebecca Chadwick and the school business manager - Gill Coates.

12. As the headteacher, Kevin Bacon was absent at the time of the original visit, the EFA met him and his representative on 7 November 2014.

## Recruitment and selection

### Appointment of a teacher

13. There was a lack of any records regarding the appointment of [REDACTED] [REDACTED] apart from a copy of the small advertisement in the local paper.

14. [REDACTED] [REDACTED] was known to the academy and had previously worked as a supply teacher. Due to a lack of records, it has not been possible for EFA to establish how many candidates applied for the teaching post, what the interview process was or whether [REDACTED] [REDACTED] (or anyone else) declared any personal connection to [REDACTED] [REDACTED]. [REDACTED] [REDACTED] confirmed that he had provided [REDACTED] [REDACTED] with a reference and added that personal friendships did not compromise the running of the academy.

### Appointment of related parties

15. The Chair of Governors' [REDACTED] has provided site cover during school holidays since 2010 on a supply basis. This appointment pre-dates Victoria Brelsford being appointed as Chair, but in the 2012/13 financial statements the related party transaction was not declared. Payment was for 14 hours work, and so may have been considered immaterial by the academy, however the academy should be as transparent as possible regarding any transactions with related parties.

16. A relative of the Chair of Governors' was employed as an administrative apprentice between 1 September 2013 and 31 July 2014. We have been informed that a panel interviewed three candidates and that Victoria Brelsford had no part in the recruitment decision. We have not, however, seen adequate documentation regarding the recruitment process followed.

17. There is insufficient evidence to confirm any impropriety regarding recruitment processes. The lack of a documented recruitment process is, however, a weakness that the academy needs to address in order to ensure all recruitment is conducted fairly and transparently. This is of particular importance when candidates are known to any of the governors or headteacher. It is noted a new recruitment and selection policy dated April 2014 has been introduced in order to improve future recruitment transparency.

## Procurement and financial irregularity

### Equipment procurement

18. From reviewing documents and examination of files of purchase invoices retained at the academy, there is evidence that the academy's bank account has been used to purchase electronic devices over the internet, such as Kindles and associated accessories without any purchase order process being completed or authorised:

19. Examples include:

- a payment of £399 to Tesco.com for a 16Gb iPad (12.10.2012)
- £218 to Amazon.co.uk for two Kindle Touches (17.4.2012)

20. There is a notation on one of the copy invoices provided that in October 2012, [REDACTED] purchased the iPad noted in 19 above, using the academy's debit card, and reimbursed the academy for only the cost, net of VAT.

21. [REDACTED] advised that the iPad was purchased for academy business use at home and that he had been informed by the school business manager that he would be able to purchase it net of VAT under the "laptops for schools" policy. We saw no documentary evidence of this policy, leaving the academy vulnerable in the event of any HMRC-led VAT audit.

22. Some of the invoices for items purchased by the academy over the internet showed [REDACTED]'s home address as the invoice address. [REDACTED] stated that he could not recall why his home address would be showing, and thought that this was because he had used his personal Amazon account for the purchases.

23. The academy's financial procedures do not cover the use of a personal account for purchases from internet suppliers. Invoices that do not have the academy address as the invoice address may not be eligible for the reclaiming of input VAT.

24. The academy's financial procedures requires purchase orders to be raised for all purchases. There is no specific exclusion for internet orders. For a number of transactions viewed, purchase orders had not been raised.

25. In addition to the purchase of equipment, EFA official noted that food for pupils' lunches was routinely purchased using the debit card from Tesco.com, for delivery to the school. ██████████ ██████████ explained that it had been decided that this was the most cost-effective way to provided school packed lunches. At the time, the academy had no school meals service. There was no evidence that purchase orders had been raised for any of these food purchases.

26. One of the invoices to Tesco.com showed the purchase of two bottles of whisky. ██████████ ██████████ explained that they were "thank you" gifts for volunteers in connection with the academy's Remembrance Service paid for using loyalty card points accumulated by the academy. Where loyalty points are accrued from official academy expenditure, the governors should consider whether the purchase of alcohol is an appropriate use of academy funds.

### **Lease car**

27. A copy of a Vehicle Excise Duty licence (tax disc) for the year ended 30 November 2014 for a lease car which was supplied to ██████████ ██████████ and paid for by him is marked *DVLA/FLEET*. This was considered by the governors as evidence that ██████████ ██████████ had misrepresented himself as leasing cars for a business and therefore possibly obtaining a more favourable rate than he would otherwise have been entitled to.

28. When asked about the address on the lease car documentation, ██████████ ██████████ provided the EFA officers with documents from the leasing company which indicated that the agreement was registered at his own address. He further indicated that he had supplied the leasing company with the academy address as that was his place of work. There was no evidence that any academy funds have been used to pay the lease costs of the car.

### **Procurement of consultants**

29. The academy has not followed any procurement process for the appointment of consultants. We were informed that some of the consultants used at the academy were needed quickly and so undertaking a procurement exercise was not possible. We were informed that professional advice regarding the use of consultants was sought prior to selection.

30. Not following a procurement process can lead to poor value for money being achieved and is a breach of the Academies Financial Handbook. Although the review has not considered value for money, the cost of the consultants used does not appear excessive.

## Misuse of academy property

31. Subsequent to the EFA visit, the [REDACTED] [REDACTED] [REDACTED] provided documentary evidence from the academy's IT suppliers that over 160Gb of music files were stored on the school's server under [REDACTED] [REDACTED]'s personal, password-protected account. We were informed that the academy was required to purchase an additional server because so much of the original machine's capacity was occupied by the music files.

32. The academy has no policy on storing personal effects on the site and no policy on personal storage on academy IT equipment. There is a policy called 'e-safety, and acceptable & responsible use' that refers to ICT. This policy is for pupils, visitors and staff. The policy permits limited personal use of ICT facilities by authorised users subject to some limitations. However this is contradicted as one of the limitations is "staff may use school equipment for authorised business use only".

33. [REDACTED] [REDACTED] explained that the storage of personal digital music files on the server was to enable music to be played whilst he was working at the academy at a weekend.

34. The academy has two mobile phones. One phone was used by the headteacher and one by the business manager. [REDACTED] [REDACTED] alleged that [REDACTED] [REDACTED] had made personal international calls using the phone allocated to them. Our review found evidence that calls were made outside of routine business days/hours on both phones. Phone records provided by the headteacher showed international calls had been made in the past. A full analysis of the phone records would be required to understand the extent and cost of such calls. We were not provided with any evidence that would indicate any personal or international call costs were reimbursed to the academy.

35. The academy does not have a clear policy for the use of business land-line and mobile phones.



## EFA recommendations for the Academy Trust – to be completed by the trustees

Action	Responsibility	Date
<b>Recruitment</b>		
Every appointment made at the academy must follow the agreed open and transparent recruitment policy. Documents must be retained evidencing the process followed. Where candidates have a personal connection to the academy governors, they should have no part in the decision making process.		
<b>Debit card</b>		
A clear policy on the use of the academy debit card must be implemented. The card should only be used in circumstances where no alternative is available. Authorisation of use of the card should be sought in advance of purchases where possible. Authorisation should be from someone senior to the card user. The debit card policy should be approved by the governing body.		
The governors must maintain close oversight over the use of the academy debit card in line with the debit card policy.		
The academy must also consider developing an expenditure policy which outlines the proper and regular use of public funds, and how to ensure value for money at all times. (AFH: 3.1.3)		
All fixtures, fittings, equipment purchased via the debit card must be recorded on the inventory register and a full inventory check undertaken to verify the existence of items purchased. (AFH: 2.1.8)		
<b>FMGS</b>		
The academy must develop their internal financial control framework in line with the requirements of the AFH. The finance procedures manual/policy must be updated for compliance with the 2014 Academies Financial Handbook and approved by the governing body. The manual/policy should be		

Action	Responsibility	Date
implemented and used by all staff and governors.		
The academy must consider having a policy on regular and proper use of funds. In particular regarding the purchase of alcohol and gifts. Governors, as Trustees of the academy are not allowed to benefit from holding their position. The Charity Commission suggest where a Trustee has been with a charity for a while that it is acceptable to use funds to purchase a small leaving or retiring gift. The Accounting Officer and Board need to ensure that any small gifts comply with Charity Commission guidelines.		
The academy must ensure official purchases are not made via personal accounts (e.g. Amazon ) and that official VAT invoices/receipts are obtained.		
The academy must improve its internal control framework. The academy should ensure that staff are compliant with the debit card policy. All policies should be approved by the governing body (AFH: 2.3).		
Where policies are in place such as the competitive tendering policy, all staff must follow the policy, and clear records kept for the rationale if the policy is not followed. The governing body should maintain oversight over the compliance with academy policies. (AFH: 3.1)		
The governing body must consider how the internal control framework is kept under review. The academy should consider all the options stated in the AFH and confirm with the EFA which is being used. (AFH: 2.4.8)		
Governors, as Trustees of the academy are not allowed to benefit from holding their position. The Charity Commission suggest where a Trustee has been with a charity for a while that it is acceptable to use funds to purchase a small leaving or retiring gift. The Accounting Officer and Board need to ensure that any small gifts comply with Charity Commission guidelines.		
The academy needs to have a clear policies for staff and governors that clarifies storage of personal items (both physical and digital) on academy property.		

<b>Action</b>	<b>Responsibility</b>	<b>Date</b>
The academy must discourage staff from storing personal equipment of value at the school premises and should ensure that removal of any academy-owned equipment from the school is appropriately authorised and recorded in the fixed asset register.		
The academy must implement a clear policy for the use of its IT equipment by staff, such that the equipment is only used for legitimate business purposes.		
The academy must implement a clear policy for the use of both the landline and mobile phones.		
The academy must undertake a fresh examination of its entire financial control and governance framework using the EFA's FMGS self-assessment framework and submit the assessment to EFA no later than 29 May 2015.		



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