



Department
for Education

Review of financial management and governance at Guru Nanak Sikh Academy Ltd

Final report

April 2014

Contents

Definitions	3
Management summary	4
Introduction	6
Background	7
Findings of EFA Review	8
Governance	8
Relationship between GNSA and NTID	8
Management and governance within GNSA	9
Transactions between GNSA and NTID	10
Procurement and related party transactions	13
Loans and security	13
Table 1: Breaches of the Academies Financial Handbook 2013 and the Funding Agreement	15
Annex A – Governance structure of GNSA	21
Annex B – Loans taken out by NTID	22

Definitions

In this report the following words and expressions have the following meanings:-

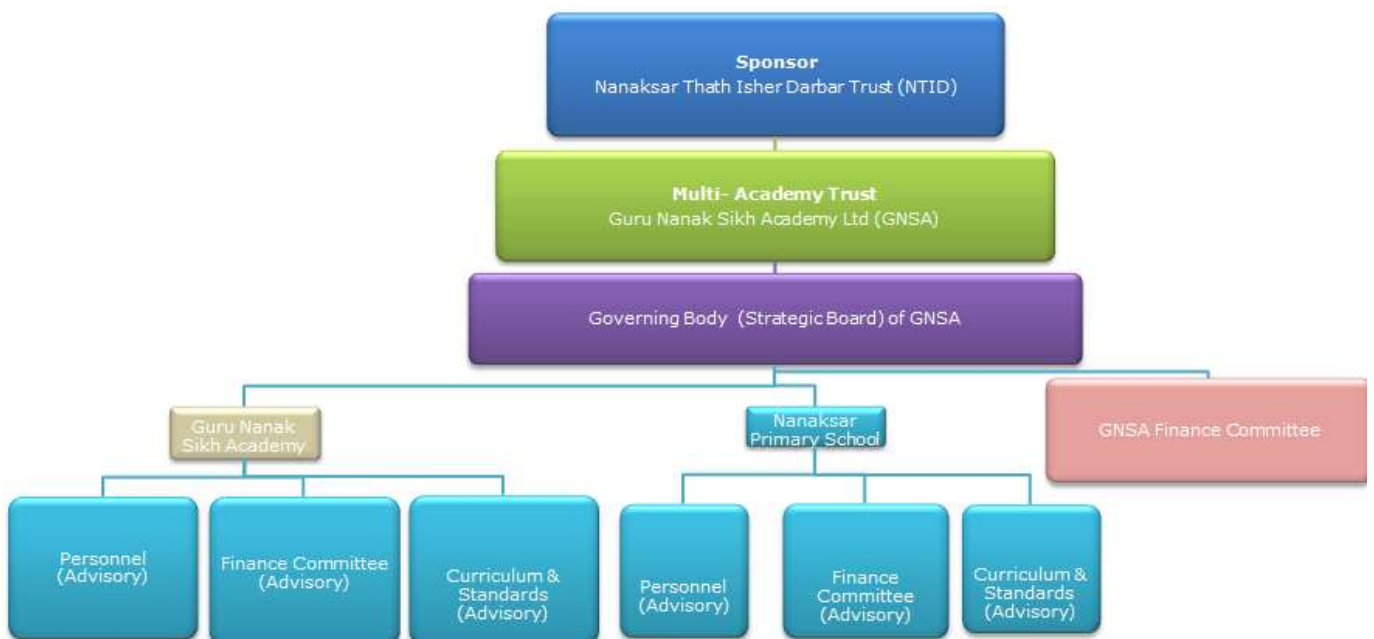
“Trustees” are the Trustees of the Nanaksar Thath Isher Darbar Trust (NTID) which sponsors Guru Nanak Sikh Academy Ltd. (GNSA). They are responsible for directing the affairs of NTID and for ensuring that it delivers its charitable objects and can appoint one member of GNSA.

“Member(s)” are the subscribers to the Memorandum of Association of GNSA with which DfE has a funding agreement. They are responsible for directing the affairs of the academy trust and for ensuring that it delivers its charitable objects. Additionally, they can appoint up to eight members of the Governing Body.

“Governing Body” is the ‘Strategic Board’ of GNSA and the strategic decision making body for the academy trust.

“Governor” is a person appointed to the Governing Body of GNSA. This term is synonymous with the term **‘Director’** as used within this report, GNSA’s Articles of Association and Funding Agreement. They are responsible for directing the affairs of the academy trust and for ensuring that it delivers its charitable objects.

The governance structure is shown below.



Management summary

1. In January 2014 the Education Funding Agency (EFA) received whistle-blower allegations relating to GNSA and its sponsor NTID.
2. GNSA has developed from a Sikh college, originally established and funded by NTID, and still occupies the original site in Hayes, London Borough of Hillingdon (LBH). The college converted to voluntary aided status in 1999 and then to academy status in 2010, later becoming a multi-academy trust (MAT). Although now legally separate entities, there remains a high degree of overlap between NTID and GNSA. For example, a number of individuals are both Trustees of NTID and Members of GNSA and the buildings occupied by GNSA have been developed on land which is owned by NTID but leased to GNSA under a 125 year peppercorn arrangement.
3. The whistle-blower allegations received were:
 - 3.1. a mortgage taken out by NTID was secured against the academy trust's land to purchase property to the value of circa £1.4m;
 - 3.2. a further short term loan of £500k was also secured against this same plot of land with various creditors;
 - 3.3. funds secured through these mortgages were, at least in part, remitted overseas.
4. External Assurance (EA), with support from the Internal Audit Investigation Team (IAIT), was commissioned by the EFA Deputy Director for Academies South to undertake a full review of the allegations. EA visited GNSA during February and March 2014 to conduct an on-site review. As well as reviewing the three specific allegations, the scope of the review included an assessment of GNSA's governance and financial management arrangements.
5. With regard to the three specific allegations, it was confirmed that a loan taken out by NTID to purchase property had been inappropriately secured against the school site and playing fields. There was no evidence found, however, that funds from this loan have been remitted overseas. No evidence was found to support the allegation relating to the short term loan of £500k.
6. In addition, the review found:
 - 6.1. A lack of separation in governance, management and operations between NTID and GNSA.
 - 6.2. Evidence of inappropriate transactions between GNSA and NTID. The review identified a total of £201,377 that has been inappropriately transferred from GNSA to NTID or paid by GNSA on behalf of NTID.

6.3. A number of other weaknesses around financial management and governance, thereby putting GNSA in breach of the Academies Financial Handbook and its Funding Agreement. Full details of these breaches are set out in this report.

7. In line with the EFA's zero tolerance approach to potential fraud, the issues identified during the review were reported to the police. The police have assessed the information and have confirmed that they do not plan to take further action.

8. GNSA are acting quickly in responding to key concerns. This has included commissioning a forensic audit to undertake further testing around transactions between GNSA and NTID, payroll and purchasing and procurement transactions. This audit has reinforced the findings of the review, but not raised major additional concerns on the use of public funds.

Introduction

9. The Education Funding Agency (EFA) received a number of whistle-blower allegations in January 2014 relating to Guru Nanak Sikh Academy Ltd. (GNSA) and its sponsor Nanaksar Thath Isher Darbar (NTID).

10. The allegations were:

10.1. a mortgage taken out by NTID was secured against the academy trust's land to purchase property to the value of circa £1.4m;

10.2. a further short term loan of £500k was also secured against this same plot of land with various creditors;

10.3. funds secured through these mortgages were, at least in part, remitted overseas.

11. The whistle-blowers contacted the Chief Executive of the EFA confirming that they wanted to formalise these allegations, and were subsequently interviewed by the Internal Audit Investigation Team (IAIT) on 29 January 2014. Terms of reference for the review were agreed with the EFA lead officer, Tony Foot, Deputy Director of Academies South. The review was undertaken by EFA External Assurance.

12. External Assurance visited GNSA on 6, 12, 13 and 20 February 2014 to conduct an on-site review. As well as reviewing the three specific allegations above, the scope of the review included an assessment of the degree of control of NTID over GNSA, governance arrangements within GNSA and assessment of transactions between GNSA and NTID.

Background

13. GNSA has developed from a Sikh college, established and funded by NTID in 1993. NTID is a registered charity (charity number: 1025988) which operates educational institutions within the UK and abroad. GNSA occupies the site of the original college in Hayes, London Borough of Hillingdon. This site is also the registered address of NTID.

14. The college converted to voluntary aided status in 1999 to become Guru Nanak Sikh Voluntary Aided School (11-18) and was rated outstanding by Ofsted (March 2008). It converted to academy status in 2010 and, in 2012, increased its age range to become an all through academy incorporating Guru Nanak Sikh Primary School, also rated outstanding (Ofsted 2011). GNSA became a multi-academy trust (MAT) on 29 August 2013 and the constituent academy schools are Guru Nanak Sikh Academy and Nanaksar Primary School, a free school which opened in September 2013.

15. The relationship between NTID and GNSA is formalised within GNSA's Articles of Association (dated 10 July 2013) within section 12 (a) and (b) which states that the members of the GNSA shall consist of the signatories to the memorandum, all of whom are trustees of NTID, and one further person appointed by NTID.

16. Since its establishment, pupil numbers have grown considerably and there are now approximately 1,400 pupils on its roll. The expansion in pupil numbers has been reflected in the capital development of the site over the last decade with circa £20.5m being spent on a three phase capital development programme. Of this, circa £19.1m was provided by central government and the other circa £1.4m was raised by GNSA.

17. The buildings occupied by GNSA have been developed on land which is owned by NTID. This land is leased to GNSA under a 125 year peppercorn lease. The playing fields are held leasehold from the London Borough of Hillingdon.

Findings of EFA Review

Governance

Relationship between GNSA and NTID

18. NTID is made up of 4 trustees, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] (the chairman and founder), [REDACTED] [REDACTED], [REDACTED] [REDACTED] and [REDACTED] [REDACTED] [REDACTED].

19. The relationship between NTID and GNSA is formalised within GNSA's Articles of Association. Section 12 (a) and (b) states that the members of GNSA shall consist of the signatories to the memorandum - two individuals who are also trustees of NTID - and one further person appointed by NTID.

20. The founder of NTID, although not a member or governor of GNSA, acts as the 'spiritual leader' of GNSA. He is erroneously identified within the financial statements of GNSA as a 'Foundation Governor.' Records of governing body (GB) minutes of GNSA show that he does not attend any of the GB meetings and therefore does not discharge any formal duties that would be expected of a governor. However, a member of GNSA's GB does undertake a specific role of providing liaison between him and GNSA.

21. These governance arrangements are mirrored by a lack of separation at executive management level between NTID and GNSA. Scrutiny of invoices and transactional statements showed that the Principal and Accounting Officer (AO) of GNSA and a member of GNSA both approve transactions of NTID. The Principal is also a signatory for GNSA in his capacity as AO.

22. There was also evidence of overlap between the two entities at an operational level. Bank statements showed that NTID continues to use bank accounts that were established before the school became separated from NTID on conversion to academy status. These accounts remain under the name 'Guru Nanak Voluntary Aided School'. Although new bank accounts have been set up for the academy, finance staff of GNSA have retained access to NTID's bank accounts and continue to post transactions on behalf of NTID. During our review we saw evidence that finance staff of GNSA had been responsible for processing payments from NTID's bank accounts to suppliers of goods and services to NTID.

23. NTID hosts its annual fund-raising 'Parkash' event on the premises of the GNSA, utilising academy staff and premises to do so. The proceeds from this event are paid into NTID's bank account. We found that invoices associated with the running costs of these events are sent to GNSA with staff at GNSA then paying the suppliers from NTID bank accounts. Random testing of invoices confirmed that none of these invoices appear to have been put through GNSA's accounting system. While these findings do suggest that

NTID is benefitting from the academy's premises and staff time in the running of these events, this does not appear to be of financial detriment to the academy. Employees have confirmed that the contribution of their time to the event is done only on a voluntary basis.

24. The full governance structure of GNSA is at Annex A.

Management and governance within GNSA

25. GNSA has recently restructured to become a multi-academy trust (MAT), with a new funding agreement to reflect this signed on 29 August 2013. During the visit we reviewed an updated governance structure showing that the upper tier of governance is undertaken by a MAT level 'strategic board' which is in effect the Governing Body (GB) of the MAT, with local advisory boards reporting into it. As at August 2013, the GB is made up of the following five individuals: Rajinder Sandhu (Principal and Accounting Officer); Kulvinder Chana (Chair); [REDACTED]; [REDACTED]; and [REDACTED].

26. Cross checking this governance structure with Companies House records showed that none of the GB governors are registered as directors of GNSA, as would be expected. The only registered directors were the three members of GNSA: [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. All five members of the GB were previously registered as directors with Companies House but were subsequently de-registered in August 2013.

27. The circumstances surrounding the de-registration of directors was explored with the sole member of staff with electronic access to Companies House, who was the Finance Officer. It was determined that this was the result of an administrative error on the part of the Finance Officer acting on instructions from a member of the GB to amend Companies House records to reflect the newly implemented MAT structure. It does not appear that this action was agreed in advance with any of the governors concerned, nor was the action agreed with the GB. We asked for other records including members' consent forms and an up to date 'Register of Members' for GNSA but these could not be provided.

28. Some of the governors of GNSA also undertake a management role within the academy. In some cases, these arrangements result in individuals having both a senior management role, whilst also acting as a governor. The current structure does not provide adequate separation between management and governance. For example, the Vice Principal of GNSA undertakes the role of the academy's Principal Finance Officer (PFO). This individual is also a staff governor who sits on the Finance Committee (FC).

29. As well as failing to provide sufficient separation between executive management and the GB, this arrangement may not provide the financial skills required to manage the finances of a multi-academy trust that has grown to the current size and complexity of

GNSA. We understand that the PFO does not hold any formal financial qualifications or experience beyond his capacity in the current position. This was deemed appropriate at the time of his appointment to the role which was prior to conversation to academy status and when the school was far smaller in size than currently.

30. The review found weaknesses in how the AO provides oversight of the academy's financial position. It was not apparent from the review of GB or FC minutes that the AO is regularly in receipt of management accounts or other information that would enable him to scrutinise the financial position of the academy. Review of the FC and GB committees also did not find any evidence that GNSA has a process for assessing financial risks to its operations.

31. We also found that GNSA does not have either a dedicated audit committee or an alternative committee whose remit (which would include independent checking of financial controls, systems, transactions and risks) includes the function of an audit committee.

Transactions between GNSA and NTID

32. Prior to the review, EFA was provided with oral assurance by GNSA that there has always been separation of the finances between GNSA and NTID and that no payments have been made by GNSA to NTID. A written statement, compiled by the Chair of the FC on behalf of the GB, was subsequently submitted to the EFA during the review. Within the statement, it was disclosed that a payment had in fact previously been made by GNSA to NTID in order to finance loans taken out by NTID.

33. We cross-checked this written statement with GNSA's records, including minutes of GB and FC meetings, and transactional documents. Minutes of the FC meeting of 7 March 2012 disclosed an agreement 'to repay £16k per month of the outstanding loans taken out by NTID in respect of the buildings'. The AO was not present during the initial discussion, but agreed to the recommendation at the end of the meeting - and subsequently at the full GB meeting held immediately after.

34. The AO subsequently sought advice on the legality of these proposed payments, received on 21 March 2012. The AO advised EFA that he decided to proceed with the payment, although he felt that some aspects of the advice were ambiguous. A review of this advice indicates that GNSA's lawyers felt that this payment could be defended if challenged. An excerpt states '*...this need not conflict or contradict the lease as that relates to payment of rents whereas the Academy is making a general contribution towards a 'overhead' (albeit a rather large direct one in the form of bank indebtedness) of the Trust and not a rental payment itself...*'

35. Review of a CHAPS transfer statement confirmed that £192k (i.e. the equivalent of 12 monthly payments of £16k) was transferred from the bank account of GNSA to an

account controlled by NTID on 30 March 2012. The authorisation for this transfer was given by the AO of GNSA and an assistant head co-signatory.

36. Discussions with the AO during our visit disclosed that, following the payment, he continued to feel uncomfortable with the basis for making it, particularly given that he felt that the advice received was a 'grey area'. He therefore subsequently decided that no future payments should be made. This is reflected within the GB minutes of 14 November 2012. No evidence was found to suggest that efforts have been made to recover payments made despite his concerns.

37. No records were available to explain the rationale for this payment to NTID. Discussions with governors, including the Chair of the FC, and finance staff identified that the decision was influenced by the lack of an appreciation within GNSA that the academy should be run on an arm's length basis from NTID.

38. Interviews with staff and governors indicated that the proposal to make the payment to NTID was first instigated by receipt of correspondence documentation from the then Young People's Learning Agency, which included guidance on the circumstances under which an academy trust may pay occupancy costs to their landlord. The exact document in question could not be confirmed. We understand that the governors of GNSA felt that such payments to NTID would be equitable on the basis that the academy occupies a site legally owned by NTID (despite there being a 125 year peppercorn lease agreement in place and no legal obligation to pay).

39. Our review found that the treatment of this payment within GNSA's 2011-12 audited accounts differed from the rationale recorded in the FC and GB minutes. The related party transactions (RPT) note disclosed the payment as being in respect of 'facilities hire' (£120k) and 'priest services hire' (£72k) supplied by NTID, whereas the minutes stated the payment was to service loans taken out by NTID.

40. We explored the rationale for this discrepancy. Our review suggested that the RPT was supported by falsified invoices presented to the external auditor at the time of the statutory audit. On requesting the supporting invoices, GNSA finance staff initially presented EFA with unsigned invoices. Following a further request, EFA were subsequently presented with signed copies purporting to show 4 invoices from NTID of £48k per quarter. After challenging the validity of these invoices, it was admitted by the finance staff that the original unsigned invoices presented to the external auditor were falsified, as were the signed copies subsequently presented to EFA to which the forged signatures of the AO and a co-signing officer were added by finance staff. EFA's conclusion is that the RPT note disclosing payments to NTID in respect of facilities hire and priest services is a mis-statement, and the £192k was in fact paid in order to finance a portion of NTID's loans as disclosed in the GB and FC minutes. We understand that the finance staff responsible for these actions are no longer working on any aspect of GNSA financial management as a result of action from the AO in response to this review.

41. We discussed this apparent mis-statement of the RPT with the AO, Chair of the FC, finance staff, and the external auditors in place at the time of the statutory audit. No records were available to explain this discrepancy and we have therefore not been able to resolve it. However, based on the discussions that took place, and review of the documentation available to us, we did not become aware of any evidence to suggest involvement of the AO, or any governors of GNSA, in the fabrication of invoices or the mis-statement of the RPT note.

42. In addition to the £192k transfer, the review identified other smaller movements of funds from GNSA's bank accounts to bank accounts controlled by NTID. Many of these transactions are associated with arrangements under which GNSA pays for the annual school trip to India (of around 20 pupils and several members of staff). The total annual cost of these trips is around £40-50k and GNSA uses the same Indian based supplier annually. In order to pay for the trips, a portion of the funds are transferred to an Indian domiciled [REDACTED] [REDACTED] [REDACTED] account controlled by NTID, and then remitted overseas to the supplier. The remaining balance is paid to the supplier direct from GNSA's [REDACTED] bank account. We understand that this arrangement was adopted to benefit from the favourable exchange rate available by using NTID's [REDACTED] account. On review of GNSA and NTID bank statements, CHAPS transfer mandates and invoices from the supplier, we were satisfied that all funds transferred from GNSA to NTID for this purpose were subsequently paid to the supplier in accordance with the invoices provided.

43. Related to these trips to India, our review found that an arrangement has previously been adopted by GNSA whereby funds are transferred from the academy's account to an Indian domiciled [REDACTED] [REDACTED] [REDACTED] account in order to fund cash withdrawals during school trips. Our review found that, in 2011, £2,500 was transferred, but the majority of these funds were not used and have since remained deposited in the Indian account. As at March 2014, the balance on this account was 237,323 rupees or £2,330 (at the current rate of exchange).

44. Land registration and valuation services were provided by a third party to NTID from 6 June 2011 to 4 August 2011 at a cost of £6,127.31. Instructions were given by a member of the GNSA finance staff to [REDACTED] bank to debit the account of GNSA for said amount. These funds were subsequently debited on 22 November 2011. Additionally, a payment was made to an accountancy firm by GNSA in the amount of £3,250 for accounting services provided to NTID between July 2013 and November 2013. These transactions, in addition to the £192k set out above, result in a total of £201,377 that has been either inappropriately transferred from GNSA to NTID or paid by GNSA on behalf of NTID.

Procurement and related party transactions

45. A key area of focus for the review was transactions with governors and other related parties. Discussions with governors identified that GNSA procures consultancy services on an informal basis from two individuals who are part of the GNSA governing body; [REDACTED] [REDACTED] and [REDACTED] [REDACTED]. In both cases this has been an on-going arrangement from before conversion to academy status. Review of financial statements show that these services have not been disclosed with the RPT note. There were no contracts available for either of the individuals, nor was there any evidence to show that their services have been procured in line with an open tendering policy. It is understood from the AO that both individuals are paid on the basis of days worked against an agreed scope of activity. [REDACTED] [REDACTED]'s total remuneration in 2012-13 financial year was £17,800 and [REDACTED] [REDACTED]'s total remuneration in 2012-13 financial year was £31,798.

46. A register of business interests was requested during the review. A total of four declarations of business interests were provided in relation to finance staff and school budget holders. No declarations of business interest could be provided for any of the governors, including the two individuals providing services to GNSA.

Loans and security

47. During the investigation details of the following loans taken out by NTID were confirmed:

- 47.1. A loan to NTID from [REDACTED] bank which came into effect on 15 December 2006 for £3m payable over 12 years for the purpose of raising the 10% liability that GNSA was required to provide in order to meet a condition of their capital development grant. The loan was signed by the trustees of NTID on 16 November 2006. This loan was secured on the land on which the academy is situated.
- 47.2. A [REDACTED] Development Loan to NTID which came into effect on 16 September 2009 for £1m repayable by 30 June 2011 to provide the school's contribution to the planned extension of the school, including a new Gurdwara and library. This loan was signed by the NTID trustees. This loan was secured on the land on which the academy is situated.
- 47.3. A loan to NTID of £980k from [REDACTED] [REDACTED] [REDACTED] which came into effect on 31 October 2011 for the purpose of purchasing the [REDACTED] [REDACTED] [REDACTED] [REDACTED] land for a free school. The loan was signed by trustees of NTID, [REDACTED] [REDACTED] (trustee of NTID and member of GNSA) as well as the AO of GNSA. This loan was secured against the NTID [REDACTED] in [REDACTED], [REDACTED] [REDACTED] (1st charge), the [REDACTED] [REDACTED] [REDACTED]

██████████ land (1st charge) and the land leased to GNSA from both NTID and LBH (2nd charge).

47.4. GNSA disclosed that NTID purchased the ██████████ ██████████ ██████████ ██████████ site for the free school for the amount of £1.4m. The site was subsequently found to be unsuitable and discussions with GNSA governors and NTID trustees during the review indicated that they believed that the price they paid was substantially more than its expected market value. We understand that the site was purchased by the previous owners approximately five years prior for £325k. As this purchase was by NTID, and not GNSA, we did not explore further the rationale for the purchase at a price apparently in excess of the market value as transactions of NTID were not in the scope of this review. However, we have referred the issue to the Charity Commission; the independent regulator of registered charities in England and Wales.

47.5. Additional funds were raised through an existing overdraft facility by NTID for £1.2m, dated 31 October 2011 secured against the ██████████ ██████████ site, the ██████████ ██████████ ██████████ ██████████ site, the school site and a personal guarantee provided by ██████████ ██████████, a member of GNSA.

48. Both the loans detailed under (i) and (ii) were taken out before the time of academy conversion so were not within the scope of this review.

49. The loan used to purchase the free school site (iii) and the overdraft (iv) were both signed after the Funding Agreement between GNSA and the EFA. The decision for the AO, with a member of GNSA, to allow a loan to NTID to be secured against the land and playing field used by the academy represents a novel and contentious transaction for which prior EFA approval would be required. No such approval was sought from EFA by GNSA.

Table 1: Breaches of the Academies Financial Handbook 2013 and the Funding Agreement

Paragraph No.	Paragraph Detail	Breached by	Examples of Breach
<p>1.4.6 1.5.6 1.5.7 1.5.14</p>	<p>As public bodies, academy trusts must ensure regularity, propriety and value for money (vfm) in their management of public funds</p> <p>The board of trustees [Governing Body] is responsible for ensuring that the trust's [MAT's] funds are used only in accordance with the law, the FA and the Academies financial handbook.</p> <p>The board of trustees [Governing Body] ... is responsible for the proper stewardship of funds and ensuring economy, efficiency and effectiveness in their use.</p>	<p>GNSA Governing Body</p> <p>GNSA Accounting Officer</p>	<p>£192k was knowingly paid from GNSA to NTID for the purpose of assisting the charity with debt repayments.</p> <p>Two invoices totalling £9,377.31 relating to services delivered to NTID were paid by GNSA.</p> <p>Funds were paid into an account domiciled in India in 2011 for the purposes of funding cash withdrawals during the annual school trip. The majority of these funds were not used and circa £2,300 has remained deposited within this overseas account.</p>

	The essence of the Accounting Officer role is a personal responsibility for regularity, propriety and vfm.		
1.5.9	The members of the board of trustees [Governors] should be aware of their responsibility as company directors, which are set out in sections 170 to 177 of the Companies Act, 2006. These duties include (a) exercise independent judgement; (b) avoid conflicts of interest; (c) declare interest in proposed transactions or arrangements	GNSA Governing Body GNSA Accounting Officer	<p>Independent judgement by the trustees of GNSA has been compromised as there is no clear separation between GNSA and NTID.</p> <p>Members of the MAT's GB were de-registered with Companies House as directors of GNSA without their knowledge.</p> <p>There are two instances of governors serving in executive managerial capacities within GNSA (i) the PFO undertaking a role as staff governor and sitting on the FC and (ii) a governor also acting as a consultant with responsibility for developing educational policies.</p>

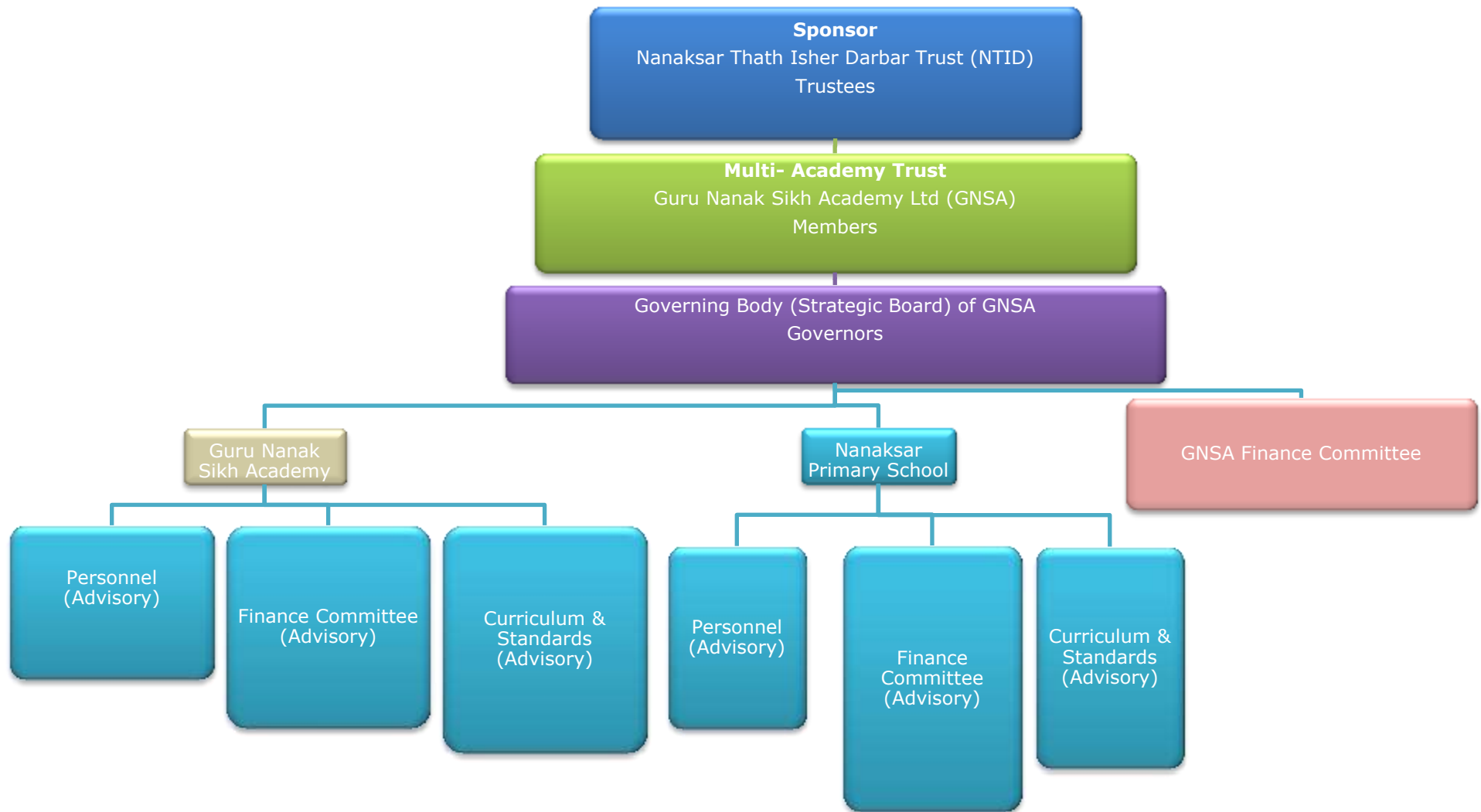
<p>2.5.2</p>	<p>Section 2.5.2 of the AFH sets out the circumstances under which academy trusts may contract with connected persons. This section places various requirements on academy trusts including:</p> <ul style="list-style-type: none"> • no trustee, governor, employee or related individual gains from their position by receiving payment under terms that are preferential; • all trustees have completed the register of business • any payment provided to the persons referred to in section 2.6.2 satisfies the no-profit principles set out in sections 2.6.2 to 2.6.8; • a competitive tendering policy is in place and applied. 	<p>GNSA Governing Body</p>	<p>Two members of the GNSA governing body also provide services to GNSA for which payment is made by GNSA. The review found that the services of these two consultants were not tendered for and there is no formal contract to formalise this engagement.</p>
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2.6.6	<p>Should any connected organisation be based in, or work from, the premises of the academy trust, the organisation must agree an appropriate sum to be paid to the academy trust for such use / occupation of the premises save to the extent that they are carrying out the work of the academy trust.</p>	GNSA Governing Body	<p>The review found evidence that invoices of NTID are delivered to GNSA and processed on behalf of NTID by GNSA staff.</p> <p>NTID's annual 'Prakash' event is held on the site of GNSA with GNSA's buildings and staff being used to hold the event.</p>
2.1.2 2.1.8 2.1.6	<p>The principal or chief executive should be appointed as accounting officer, under the guidance of the board, and must ensure that there is appropriate oversight of financial transactions. In doing so, they must keep full and accurate accounting records.</p> <p>Boards of trustees [Governors] will need to consider the scale and complexity of financial operations when making the</p>	GNSA Governing Body GNSA Accounting Officer	<p>The AO has not ensured proper financial oversight. There was no evidence to suggest that the AO has been in receipt of management accounts or any form of information which would indicate the financial performance of the academy.</p> <p>Whilst the AO had previously appointed a PFO, the findings of this report indicate that the individual was not appropriately qualified/ experienced to adequately advise the AO or report on the detailed financial affairs of GNSA.</p> <p>The conduct of staff within the finance office during EFAs visit showed that they were not suitable to undertake their roles.</p>

	<p>appointment of PFO.</p> <p>An academy trust's finance staff must be appropriately qualified and/or experienced.</p>		
<p>2.3.1</p> <p>2.3.6</p> <p>1.15</p>	<p>Each academy trust should have arrangements for recognising, managing and tracking opportunities and risks</p> <p>The trust must assess risk arising from its operations including the likelihood and materiality of each risk</p> <p>The Accounting Officer has responsibilities for management of opportunities and risks.</p>	<p>GNSA Governing Body</p>	<p>Review of Governing Body minutes and Finance Committee minutes did not present any evidence that the trust has in place any process for assessing and managing financial risks and opportunities.</p>
<p>3.5</p>	<p>Every academy trust must have in place a process for independent checking of financial controls, systems, transactions and risks. Ideally this process should be driven</p>	<p>GNSA Governing Body</p>	<p>All academy trusts must have an audit committee - or a committee whose remit includes that function. The existence of such a committee was not apparent during the EFA's review of GNSA. Given that GNSA is now a MAT it would be expected to have a dedicated audit committee.</p>

	<p>by an audit committee. All academy trusts that are a multi-academy trust should consider having a dedicated audit committee.</p>		
<p>2.4.41 2.6.18</p>	<p>Novel and contentious transactions must always be referred to EFA for explicit prior authorisation.</p> <p>Academy trust must seek SoS approval for borrowing... where such borrowing is to be secured on assets funded by grant payments.</p>	<p>GNSA Governing Body</p> <p>GNSA Accounting Officer</p>	<p>A loan to NTID was secured against the academy's land and playing fields (second charge) after conversion to AT status. The loan was signed by trustees of NTID, [REDACTED] [REDACTED] (trustee of NTID and member of GNSA) as well as the AO of GNSA.</p> <p>Funds were raised through an existing overdraft facility by NTID for £1.2m, dated 31/10/11, in part secured against, the school site.</p> <p>Additionally, before conversion to AT status, the following loans were secured against land on which the academy is situated:</p> <p>(a) A loan to NTID from [REDACTED] bank signed by the trustees of NTID on 16 November 2006.</p> <p>(b) A [REDACTED] Development Loan to NTID to provide the school's contribution to the planned extension of the school. This loan was signed by NTID trustees. This loan was secured on the land on which the academy is situated.</p>

Annex A – Governance structure of GNSA



Annex B – Loans taken out by NTID

	Lender	Effective from	Amount	Duration/repayable	Asset Secured against
1	██████████ ██████████	15/12/2006	£3m	12 years/ December 2018	Land on which the academy is situated
2	██████████ ██████████	16/09/2009	£1m	June 2011	Land on which the academy is situated
3	██████████ ██████████ ██████████	31/10/2011	£980,000		██████████ in ██████████, 1 st Charge ██████████ ██████████ ██████████ Land 1 st Charge GNSA land including playing fields 2 nd Charge
4	██████████ ██████████ ██████████	31/10/2011	Up to £1.2m (overdraft facility)	On demand	██████████ in ██████████ ██████████ ██████████ ██████████ ██████████ site GNSA school site A personal guarantee provided by ██████████ ██████████



Department
for Education

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