



Department
for Education

The Silver Birch Academy investigation report

April 2014

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

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Introduction

1. The Education Funding Agency (EFA) was contacted by two whistle-blowers (WBs) in relation to possible financial irregularities at The Silver Birch Academy Multi Academy Trust (MAT). 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 by the WBs.
2. Terms of reference for the investigation were agreed with the EFA lead officer, Tony Foot, Deputy Director, Academies, London, South East and East of England.

Background

3. The Silver Birch Academy Trust (SBAT) was set up on 15 June 2012, with its first academy, Chingford Hall Primary Academy, opening on 1 July 2012. A second academy, Whittingham Primary Academy, opened on 1 February 2013. This was sponsored by SBAT with the intention of improving educational performance that was declining at Whittingham Primary

Management Summary

4. The investigation has not identified fraudulent action by the Trust but has identified concerns in relation to poor procurement practice where it has not been possible to establish that a proper process has been followed by the Trust when undertaking a number of procurements.

5. The 2013-14 contract (SLA) for providing ICT services to Whittingham Primary Academy was awarded to [REDACTED]. The Chair of Governors for the academy works for [REDACTED] which is a mutual organisation that provides ICT support to numerous schools in the area. The company will also be providing ICT support to the other academy in the Trust. There was inadequate supporting documentation for the decision to award the contract (SLA) to [REDACTED] at a cost of £22,172 (ex VAT) per academy per year against lower quotes from two other companies of £20,096 (ex VAT) and £5,219 (ex VAT). The justification for allocating the contract to the company was demonstrated at a later date following further work by the Business Manager (BM).

6. The Executive Headteacher (EHT) and the BM explained that the rationale for going with [REDACTED] was that the contract provided a high level of support, including on-site support, an IT coordination role including training for staff and network and service support rather than just a call centre based support operation. The Chair of Governors had declared a business interest in the minutes of Governing Body meetings.

7. Offices at both academies have been refurbished. The office refurbishment at Whittingham Primary Academy has been completed at a total cost of £56k. The Whittingham Primary Academy 'Financial Management Policy and Code of Practice' states that goods/services with a value over £25k, or for a series of contracts which in total exceed £25k must be subject to formal tendering procedures. The office refurbishment work was carried out by a company entitled [REDACTED], the work was not put out to tender by the academy. The reason given was that only this supplier could provide the particular furniture required and that they already supplied a number of local academies.

8. The purchases included a number of items for the EHT office/meeting room, a conference table (£4,887 ex VAT), 14 executive conference armchairs (£4,998 ex VAT), a fridge unit (£1,687 ex VAT) and four plant pots of which 2 are located in the EHT's office/meeting room (£780 ex VAT). In total the cost of the furniture refurbishment for the EHT's office/meeting room was £25,996k (ex-VAT). We have not seen a business case to support the assertion that these represented value for money.

9. The Whittingham Primary Academy 'Financial Management Policy and Code of Practice' states that at least three written quotations should be obtained for all orders between £5k and £25k. We found 14 separate invoices from the company for 6 different dates in relation to the £56k total, none of the invoices had a value that was greater than £5k (ex-VAT). For one of the dates there were 7 invoices totalling £24,315 (ex-VAT),

none of these invoices were for a value in excess of £5k and for 4 of the invoices the value was just under £5k (ex-VAT). Similarly, two other invoices were found for the same date, the value of each was again just under £5k (ex-VAT).

10. The EHT stated that there was no intention to split payments and this was not an attempt to avoid the need for written quotations. She stated that the furniture is good quality that will not need to be replaced in future and will mean that the academy can generate income by renting the office/meeting room out for external meetings to provide income to the academy.

11. The Trust have commissioned work in the region of £200k for refurbishment of the main Whittingham Primary Academy building. The robustness of the tender process has not been demonstrated by SBAT and we have been unable to confirm from the available documentation that a full and open tender, in line with their own and normal procurement practices, has taken place.

12. The successful contractor, [REDACTED] had done considerable work at the academy prior to being awarded the school refurbishment work, we found 4 invoices totalling £32k. Initially it was thought that an invoice had been paid prior to the receipt of the quotes. The EHT thought there had been errors by the tendering companies in the dates of the quotes but has since stated that the successful company, [REDACTED], dated an invoice incorrectly. The EHT has said that this is a small company and they have made mistakes with invoice dates previously. In addition a further quote from [REDACTED] was provided in relation to new window blinds, the quote was for £9,250.00 (ex-VAT), three subsequent invoices were submitted for this work, all of which were valued under £5k (ex-VAT).

Findings

Governance

13. The Trust has responsibility for two academies each with its own governing body with an overarching Trust governing body. The Trust maintains a declaration of interest register which includes an interest declared by the Chair of Whittingham Primary Academy. There are no other declared interests in relation to companies who have undertaken work for the Trust.

14. The academies each have a business manager and one of the individuals, a qualified accountant, has responsibility for the financial oversight of the Trust and for producing the financial information reports that the Trust Board rely on. The Responsible Officer role is provided by an external organisation.

Top Slice

15. The Trust takes a top-slice from each of the two academies of 5%. This funding is used to meet costs that are across the Trust. The EHT's salary is charged initially to Chingford Hall Primary Academy and is then recharged to the Trust.

Contract for ICT services

16. Prior to May 2013, a SLA was in place with [REDACTED] to supply ICT support to Whittingham Primary Academy. For 2013-14 the academy decided to re-contract and three quotes were received:

[REDACTED] - £5,219 (ex VAT) (For administrative remote support only)

[REDACTED] - £20,096 (ex VAT) (For administrative remote support and curriculum support)

[REDACTED] - £22,172.92 (ex VAT) (For services including administrative remote support, curriculum support and web-site support)

17. The contract (SLA) was awarded to [REDACTED]. The Chair of Governors for the academy works for [REDACTED], which is a mutual organisation that provides ICT support to numerous schools in the area. There was a lack of clear documentation to support the decision to award the contract (SLA) to [REDACTED]. The rationale for the decision to award the contract to [REDACTED] was explained by the EHT and the BM as being due to the high level of support, including on-site support, an IT coordination role including training for staff and network and service support rather than just a call centre based support operation being offered as part of the contract value.

18. [REDACTED] had declared a business interest with [REDACTED] in the minutes of Governing Body meetings and took no part in the debate on ICT procurement.

Office Refurbishment

19. The office refurbishment at Whittingham Primary Academy has been completed at a total cost of £56k. The Whittingham Primary Academy 'Financial Management Policy and Code of Practice' states that goods/services with a value over £25k, or for a series of contracts which in total exceed £25k, must be subject to formal tendering procedures. The office refurbishment work was carried out by a company entitled [REDACTED], the work was not put out to tender by the academy.

20. We found 14 separate invoices from the company for 6 different dates in relation to the £56k total, none of the invoices had a value that was greater than £5k (ex-VAT). Of these invoices, two were dated 24/09/13 totalling £9,454 (exl VAT). A further 7 were dated 17/05/13, these were all for the refurbishment of the EHT's office/meeting room and included expensive items such as a conference table, executive chairs and a fridge unit. The total spent on the EHT's office/meeting room was £25,996 (ex-VAT). The EHT explained that she was looking for a particular product that she had seen at another academy and that the table, chairs and built in fridge unit will provide a quality facility, a change to the profile of the school, that can be rented out for external meetings to provide income to the academy.

21. Details of the invoices are shown at Annex A of this report.

Building Refurbishment

22. The Trust commissioned work in the region of £200k for refurbishment of the main Whittingham Primary Academy building. As with the office/meeting room refurbishment, we were unable to confirm that a full and open tender, in line with their own and normal procurement practices, has taken place.

23. The only documentation that could be provided by the Trust in relation to the selection of contractors was quotes that had been provided by three companies on different dates.

[REDACTED] - £185,730 (ex VAT) dated 25 June 2013

[REDACTED] - £156,300 (ex VAT) dated 8 July 2013

[REDACTED] - £165,753.31 (ex VAT) dated 19 July 2013

24. All the quotes were based on specifications and drawings provided by [REDACTED] and it was subsequently established that the specification had included flooring which had already been supplied under a previous tender request that had been

won by the company. The contract was awarded to [REDACTED], the middle priced bidder. In order to facilitate the works during the summer holidays a staged payment of £69,760 (ex VAT) was made to the company on 24 July 2013. The award of the contract was not supported by a documented rationale for the decision.

25. An invoice date error by [REDACTED] was identified by the academy following initial concerns raised that payments were being made before the receipt of quotations. The company subsequently provided a revised invoice.

26. The flooring work that had been undertaken previously was shown, subsequent to our visit, to have been subject to a tender process that had obtained quotes from three companies. The successful company [REDACTED] was not the lowest of the quotes and a rationale for accepting a higher quote was not provided.

27. In addition a further quote from the company was provided in relation to new window blinds, the quote was for £9,250.00 (ex-VAT), three subsequent invoices were submitted for this work, all of which were valued under £5k (ex-VAT).

Recommendations

For the Trust:

28. Review the procurement undertaken for ICT, Building and Office/Meeting Room Refurbishment.
29. Conduct a full review of financial governance and management systems and produce an improvement plan.
30. Demonstrate that they are complying with their own financial management policy and code of practice.
31. Obtain procurement expertise to ensure that procurements stand up to scrutiny.
32. Ensure that in line with current requirements they can demonstrate what the top slice funding is being spent on.
33. Make the final report available to the full board
34. Share final report with external auditors to inform audit of 2012/13 accounts and report on regularity.
35. Ensure that findings of the report are reflected in the Accounting Officer (the Executive Head Teacher) statement on regularity in the 2012/13 accounts.

For the EFA:

36. Make the Trust's external auditors aware of the concerns that have been raised before they sign off the accounts and the regularity opinion.
37. Request further work by the external assurance team including action to follow up and validate the implementation of the improvement plan.

Annex A

Office refurbishment invoice details

Inv Date	Inv No	Description	Net Total	VAT	Total	Payment Due	Paid
22/04/13	302744	Furniture for EHT office/meeting room	£3,271.00	£654.20	£3,925.20	20/05/13	22/05/13
17/05/13	302838	Leather tub chair	£287.00	£57.40	£344.40	20/06/13	08/10/13
17/05/13	302839	Oak veneer executive conference table	£4,887.00	£977.40	£5,864.40	20/06/13	08/10/13
17/05/13	302840	Oak veneer wall unit for EHT office/meeting room	£4,967.00	£993.40	£5,960.40	20/06/13	03/10/13
17/05/13	302841	Oak veneer desk and pedestal for EHT office/meeting room	£4,487.00	£897.40	£5,384.40	20/06/13	03/10/13
17/05/13	302842	Two door credenza unit with fridge	£1,687.00	£337.40	£2,024.40	20/06/13	08/10/13
17/05/13	302843	14 x wood framed executive conference armchair in leather	£4,998.00	£999.60	£5,997.60	20/06/13	08/10/13
17/05/13	302844	2 x leather executive high back chairs, 3 x Tub chairs, glass coffee table	£3,002.00	£600.40	£3,602.40	20/06/13	08/10/13
		Total for 17/05/13	£24,315.00	£4,863.00	£29,178.00		
28/05/13	302870	Oak storage cabinets	£4,416.00	£883.20	£5,299.20	20/06/13	10/06/13
19/06/13	302982	For EHT office/meeting room: 4 x plant pots, 14 x protective table mats	£875.20	£175.04	£1,050.24	20/07/13	04/07/13
24/09/13	303503	Storage in finance & main office/meeting room	£4,875.00	£975.00	£5,850.00	20/10/13	30/09/13
24/09/13	303504	Storage in SMT office	£4,987.00	£997.40	£5,984.40	20/10/13	30/09/13
		Total for 24/09/13	£9,862.00	£1,972.00	£11,834.40		
30/09/13	303607	Oak Furniture in SMT office	£2,023.00	£404.60	£2,427.60	20/10/13	16/10/13
30/09/13	303608	Oak Furniture in admin & finance office	£1,728.00	£345.60	£2,073.60	20/10/13	16/10/13
Grand Total			£46,490.20	£9,298.04	£55,788.24		



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