



Education
Funding
Agency

Barnsley Academy

**Review of the use of academy funding
and internal control – final report**

May 2014

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Executive summary

1. The Education Funding Agency (EFA) received a whistleblower allegation concerning a ██████████ ██████████ ██████████ use of Academy funding and the internal control systems in place at the academy. The sponsor, United Learning Trust had investigated this allegation, including a full review of all credit card expenditure in 2011/2012 and concluded that the allegation was not substantiated.
2. We reviewed the sponsor's investigation into these matters, including their review of all credit card expenditure in 2011/2012, undertook a review of systems and performed testing of expenses, credit card and mobile telephone transactions in 2012/2013.
3. We concurred with the findings of ULT's investigation and did not find a wide misuse of academy funding. However we did identify small items of expenditure that would be considered to have been spent on items not as Parliament intended and scope to strengthen some internal controls. Our findings are summarised below:
 - ULT rejected the whistle-blowing allegation. They found no evidence that the accused member of staff had misappropriated public funds, nor that any other staff member had done so. The EFA concurred with the findings of ULT's investigation
 - the investigation into 2011/12 transactions carried out by ULT appears to have been thorough and as a result the academy has strengthened the arrangements around credit card security and the number of mobile telephones in use. However, the reporting of the findings of the investigation to the academy could have been more detailed
 - the academy's policies and procedures for credit card usage and mobile telephone usage could have been clearer
 - the corporate credit card was used to purchase some small items that are considered not to be in accordance with what Parliament intended e.g. gifts given to members of staff leaving the academy's employment costing approximately between £15 and £50 each, and items such as hotel accommodation to allow a student to attend X-factor auditions, a prom outfit for a disadvantaged student, a £225 suit for a member of staff and replacement shoes for a member of staff who damaged them during a fire drill. We understand that the suit was purchased as the academy considered the wearing of a suit an occupational requirement for a less well paid member of staff. However as the suit did not carry a logo it would not be considered to be uniform and in any case the academy ought to have considered purchasing a cheaper suit. The academy purchased replacement shoes as a result of a workplace accident as it considered that it would be liable for the costs. ULT concluded that this should not have been done and made clear to ██████████ ██████████ that this should not happen in future.

- the Chief Executive of ULT changed the policy after his arrival in 2012 so that staff gifts, including retirement gifts, are not to be purchased. However our testing indicated that instances of this nature still occurred in 2013. This would indicate that the policy should be reinforced.
- at the time of our visit the processes and controls around credit card expenditure needed to be strengthened so that formal approval is sought in advance of incurring the expenditure and the expenditure is reported to governors. At the time [REDACTED] [REDACTED] authorised credit card expenditure but this was after the event
- mobile telephones expenditure totalled £4,276 in 2012/2013 and may have included some private use which, at the time of our visit was not monitored, resulting in the academy potentially not recovering funds due in respect of private use

4. Internal audit is provided by an external firm and forms part of ULT's overall assurance framework. Our review identified potential gaps in the assurance provision as credit cards and expenses were not specifically included in internal audits plan; they were included within general procurement testing and only tested if included in this sample. Internal Audit's annual report to ULT does not detail the controls in place or the tests carried out. We are aware that ULT are looking to provide an in-house service rather than continuing with an external firm and this should provide an opportunity to improve assurance arrangements.

Background to the review

5. The Education Funding Agency (EFA) received an allegation from a whistle-blower in May 2013 concerning a [REDACTED] [REDACTED] [REDACTED] use of Academy funding and the internal control systems in place at the Academy.
6. United Learning Trust (ULT), the sponsor, received similar allegations in September 2012, specifically relating to misuse of the corporate credit card and taxi account. ULT carried out their own investigation into the allegations and produced a report in October 2012.
7. Our review of the report provided to us in August 2013 left us with some outstanding questions. Given our concerns this review was carried out.
8. Our objectives were to undertake a fact-finding review on the detailed allegations and, if well founded, form a view on whether these issues are isolated, or if there were wider structural issues or other significant weaknesses within the Trust's financial management and governance arrangements.

Barnsley Academy and ULT History

9. Barnsley Academy converted to Academy status in 2006, with ULT as its sponsor. It is part of the ULT Multi Academy Trust (MAT).
10. ULT was the first MAT established in 2003 and now consists of 25 Academies, both primary and secondary, across the country. ULT form part of "United Learning". The "United Learning" group contains thirty six schools in total.

Fact-finding review approach

11. This review has considered:
 - expense claims to ensure that there have been no payments beyond legal requirements
 - use and monitoring of corporate credit card expenditure
 - use and monitoring of mobile telephones
 - ULT's investigation process, complaints procedures and whistle-blowing procedures
 - compliance with mandatory financial management and governance requirements (by us completing an FMGS return during the visit).
12. The review involved:
 - Desk based review of key documents received in advance of the fieldwork:
 - financial regulations

- board and sub-committee minutes
- internal audit reports
- policies and procedures
- On site work at Barnsley Academy to:
 - examine expense claims
 - examine the use of corporate credit cards
 - examine mobile telephone usage
 - follow up issues from our desk based review work
 - complete an FMGS review

13. We provided oral feedback to [REDACTED] [REDACTED] of the academy and ULT's [REDACTED] [REDACTED] [REDACTED] at the conclusion of our site visit.

Findings

Expense claims

14. Expense claims for 2012/2013 totalled £10,651. Our review indicated that these reclaims covered business mileage using private cars, train fares, accommodation, parking, meals, fuel for car hire and taxi fares.

15. Procedures are that a standard claim form is completed by staff members reclaiming expenses, signed by them and approved by their line manager. Claims are required to be supported by receipts.

16. Our sample testing of expense transactions indicated that claims were supported by appropriate receipts, were correctly authorised by line managers and were generally in line with the policy.

17. We did identify private car expenditure claims for two journeys of over 140 miles a day which is outside of the policy; one being 236 miles and one being 350 miles. The policy states that hire cars should be used for journeys exceeding 140 miles. It would be appropriate for the academy to re-emphasise the policy on private car usage with staff members.

Corporate credit card expenditure

18. The academy has one corporate credit card. Our review indicates that there is no individual academy policy on credit card usage although we noted that a few brief paragraphs on this are included in the policy on expenses provided to the academy by ULT. A separate academy policy is expected given that the nature of expenditure on credit cards differs to other expenses.

19. There is no formal documentation of the processes and controls around credit card expenditure at the academy. Informal controls are in operation although there is a lack of formal documented approval of proposed expenditure and reporting expenditure to governors. Arrangements would be improved by implementing a purchase request system and reporting expenditure to governors.

20. ULT reviewed the 2011/2012 credit card transactions. This is covered in the ULT's investigation process section at paragraphs 24 to 28 of this report. We reviewed credit card transactions for 1 September 2012 to 31 July 2013 and identified that whilst the majority of transactions were reasonable there were a limited number of transactions that are outside of what would be expected to be purchased from public funds. In particular the following items given as gifts:

- antique reproduction brass compass £29.70
- black ballpoint pen £15

- pen and pencil set £31.50
- three Parker pens £60
- engraved vase £40
- engraved vase £52.90

21. We understand that the academy were not formally informed that the purchase of gifts for staff members was not allowable following the investigation by ULT hence these purchases continued. [REDACTED] [REDACTED] confirmed that such purchases will not be made in future.

Mobile telephones

22. Our review indicates that there is no policy outlining who requires a mobile telephone for work purposes. Furthermore although [REDACTED] [REDACTED] [REDACTED] can access itemised invoices online, at the time of our visit there was no monitoring of personal usage.

23. The academy spent £4,276 on mobile telephones in 2012/2013. Our review of itemised invoices indicates that mobile telephones are used in the evenings, at weekends and during school holidays with examples of high data usage during these times. While the majority of this is likely to be legitimate business use there is an indication that members of staff may also been using academy mobile telephones for an element of personal use.

24. We are aware that [REDACTED] [REDACTED] [REDACTED] [REDACTED] has reviewed the number of mobile telephones in operation, reducing these from 29 in use in August 2013 to 17 from September 2013. Whilst it is the academy's decision as to who has use of a mobile telephone consideration could be given to reducing this further e.g. by limiting users to those in the Senior Management Team and those in the business continuity plan.

ULT's investigation process

25. The academy [REDACTED] received a letter detailing allegations in September 2012 and referred this to ULT for their investigation.

26. ULT undertook an investigation into the use of the corporate credit card between October 2011 and August 2012 and produced a report on 21 October 2012 with an appendix detailing items queried noting follow up responses. This was shared with us in August 2013.

27. Subsequently the [REDACTED] [REDACTED] of ULT found that we had been provided with an incomplete appendix to the report and provided us with an updated appendix in September 2013.

28. ULT did not find any abuse of the corporate credit card in respect of purchases for personal use. However they did find that purchases were not authorised in line with Trust policy, some purchases were not supported by receipts and some purchases were inappropriate e.g. £100 cash given to a disadvantaged student for starting at higher education, replacement shoes for a member of staff who damaged them during a fire drill, a £225 suit for a member of staff, accommodation for a student to attend an X factor audition and gifts for members of staff on leaving the employment of the academy. We understand that the suit was purchased as the academy considered the wearing of a suit an occupational requirement for a less well paid member of staff. However as the suit did not carry a logo it would not be considered to be uniform and in any case the academy ought to have considered purchasing a cheaper suit. The academy purchased replacement shoes as a result of a workplace accident as it considered that it would be liable for the costs. ULT concluded that this should not have been done and made clear to [REDACTED] [REDACTED] that this should not happen in future.

29. Our review of ULT's investigation indicates that the investigation was thorough and a letter was sent to the whistle-blower on the outcome. However procedures fell short as ULT did not:

- formally inform the academy of the details of the outcome of the investigation
- make formal recommendations in writing to strengthen arrangements in the report.

Compliance with mandatory financial management and governance requirements

30. We undertook a validation of the academy's financial management and governance arrangements and assessed compliance with the Academies Financial Handbook (AFH).

31. A separate report on the results of the validation has been issued to the academy. This included an annex of recommendations to address areas that can be improved. However overall we concluded that the Academy was progressing towards compliance with the mandatory requirements in the AFH with the following exceptions:

- the local Governing Body (LGB) had not been presented with the annual budget although the annual budget would have been approved at Multi Academy Trust board level. The LGB handbook states under Section 16 that the LGB contribute their views in relation to the final budget
- there is no full contingency and business continuity plan for the academy, the one available covers ICT systems but should also include loss of premises, mass staff absence and emergency protocols
- the Responsible Officer (RO) function is only performed on an annual basis at the academy by an external party which reports to the MAT board.

32. Our review of internal audit, the RO function, has highlighted a potential gap in ULT's assurance framework. All academies are visited annually with the provider issuing a report containing a summary and a brief section on each academy. Credit cards and expenses are included in the general purchasing testing and not covered separately. For Barnsley academy the purchasing testing did not include any credit card transactions in its sample for the year under review.

33. We are aware that ULT's Audit Committee has recognised that the internal audit provision could be improved by introducing an in-house internal audit service. Discussions with ULT's [REDACTED] [REDACTED] [REDACTED] suggest that this has been included in the 2013/14 budget and staff are currently being identified for this. Consideration should also be given to RO reciprocal arrangements between academies.

Next steps

34. ULT have responded to our recommendations by completing the recommendations schedule.

35. The EFA may conduct a follow-up visit to ensure that all recommendations have been implemented.

Recommendations

Action	Academy/United Learning response	Responsibility	Date
Policies			
The policy regarding private car usage should be re-emphasised to staff members.	The academy policy has been revised to include a section for the employee to sign to state that they have understood the policy and will abide by it.	Academy	Complete
	The academy will circulate and collect signed copies from staff.	Academy	June 2014
A specific credit card policy should be established.	Guidance on the use of credit cards has always existed as part of the organisation-wide expenses policy. Nonetheless, EFA advice to establish a separate policy is accepted.	Academy	Formal adoption July 2014
	An organisation-wide policy has been prepared for use by all academies and is currently being reviewed prior to formal adoption.	Central Office	
	All schools within the organisation have been reminded of the requirements verbally and through the regular finance bulletin.	Central Office	

Action	Academy/United Learning response	Responsibility	Date
The policy on giving gifts should be updated outlining the circumstances in which gifts can be given.	The academy will ensure that no retirement gifts are given in future. This position has been communicated appropriately.	Academy	Complete
	All schools within the organisation have been reminded of this position through the regular finance bulletin.	Central Office	Complete
	An organisation-wide policy has been prepared for use by all academies and is currently being reviewed prior to formal adoption.		Formal adoption July 2014
A mobile telephone policy should be established outlining the circumstances in which academy staff members are given usage of a mobile telephone and the restrictions on the useage of the telephone.	The academy has rationalised the use of mobile phones in response to the initial investigation.	Academy	Complete
	Revised guidance to all academies will be sent out before the summer.	Central Office	
A policy for providing clothing to students outlining the circumstances in which clothing can be purchased, the budget code expenditure will be financed from, limits to be spent and authorisation processes should be established.	The academy will write down its approach to supporting disadvantaged students with uniform in the form of a policy.	Academy	July 2014
Credit Card			
The processes and controls in operation regarding credit card usage should be formally documented.	This is in hand within the school, and will be completed in light of the new organisation-	Academy	By July 2014

Action	Academy/United Learning response	Responsibility	Date
	wide policy.		
Credit card purchases should be subject to a formal system of approval before being made, ensuring that inappropriate items are not purchased.	This has been implemented.	Academy	Done
Credit card statements should be presented to the local governing body, or the finance committee, for their review.	Now part of the process of review.	Academy	June 2014
Mobile Telephones			
Controls over personal usage of mobile telephones should be established and relevant funds recovered.	Currently occurring following the review in 2013.	Academy	Done
ULT Investigation			
ULT should consider the findings within their investigation, and this report, and take action to ensure that other academies in its group have sound use of academy funding and internal control.	<p>Reviews of other academies and communication with heads about the investigation did not reveal internal control issues.</p> <p>All findings have been communicated to other academies. Internal audit is reviewing adherence to these points.</p> <p>As set out in this annex, the wider organisation has taken the opportunity of this report to ensure that where recommendations are made</p>	Central Office	<p>Complete</p> <p>Complete</p> <p>July 2014</p>

Action	Academy/United Learning response	Responsibility	Date
	to Barnsley Academy to strengthen policies, an organisation-wide model policy is to be provided to all academies.		
Internal Audit Provision			
ULT should consider the adequacy of the provision of internal audit and supplement this by a Responsible Officer reciprocal arrangement between academies.	<p>The report accurately reflects the information provided to the EFA audit team – that the organisation’s plan was to move away from reliance on an out-sourced model of internal audit, and to introduce a permanent function within the organisation. This has now been done.</p> <p>We are now considering further with schools the benefits of supplementing this with reciprocal arrangements between academies.</p>	Central Office	<p>Done</p> <p>June 2014</p>



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