

'Culture of extravagant expenses' at academy group

By Judith Burns BBC News education reporter

18.5.13

A leading academy chain has been criticised for widespread financial irregularities in an official report.

The Education Funding Agency report highlights a culture of "extravagant" expenses, "prestige" venues and first class travel at the E-ACT group.

The report obtained by the Times Educational Supplement and seen by BBC News adds that E-ACT spent public money on unapproved consultancy fees.

The government said misuse of money meant for schools was "unacceptable".

The report follows an official investigation into the group which currently runs 31 state-funded free-schools and academies around England that have opted out of local authority control.

E-ACT was set up in July 2009 as an independent educational charity and company with the principal purpose of "establishing, maintaining, managing and developing schools colleges and academies".

'Weak controls'

Its director general, Sir Bruce Liddington, resigned last month.

The report found that E-ACT's systems of internal financial control were "weak" and lacking "rigour" - and noted that the governance of the group was "unusual".

In particular it notes that "the controls around expenses for trustees are weak".

"Expenses claims and use of corporate credit cards indicate a culture involving prestige venues, large drinks bills, business lunches and first class travel, all funded from public monies," says the report.

The report says the director general's expenses may not have been "subject to proper scrutiny".

"Expenses claims and card payments by senior managers in E-ACT have occasionally stretched the concepts of propriety and value for money.

"Controls have been lax and some payments have tended to extravagance... however we found no evidence of fraud."

The report also highlights a wider "culture of acceptance of non-compliance with E-ACT's own policies for awarding contracts."

The investigation found that hundreds of thousands of pounds of public money was spent by E-ACT on purchases that were not in line with its own spending policies.

Many purchases were made by Sir Bruce himself.

"Our review of the director general's cost centre indicates that £361,000 has been spent on consultancy fees from 2008-9 with £237,000 of this not having an order," note the authors.

The report also raises concerns that trustees on the E-ACT board were paid for consultancy work, stressing that "payment to trustees is unusual in the charitable sector, where the basic position is that trustees should not benefit personally from their position so that they can exercise independent scrutiny over the charity's operations."

'Playing catch-up'

"Around half of the 13 current board members have or have in the past had contracts for service or services provided."

The investigation came after the group's auditors KPMG raised concerns that its financial administration was "playing catch-up" with its rapid expansion.

In particular the report notes that some of the group's financial practices were inappropriate for an organisation with a turnover of many millions of pounds and that the boundary between E-ACT and its money-making subsidiary E-ACT Enterprises Limited (EEL) was blurred, with some EEL expenses being paid out of public money.

E-ACT stresses that it has taken swift action to address the report's concerns. Chairwoman Ann Limb, who joined the group a year ago, said: "We have overhauled both the governance and the culture of E-ACT to ensure that this can never happen again.

"As well as the departure of the director general, the finance director and two trustees have also left the organisation. E-ACT is about educational excellence and the changes we have made will ensure we have operational excellence to support that.

"We are implementing a robust action plan which addresses all concerns raised and are working closely with the Education Funding Agency to ensure these changes are embedded throughout the organisation."

A Department for Education spokeswoman said "Any misuse of public money meant for schools is completely unacceptable. Academies cannot hide from their responsibilities. All their accounts must be externally audited and they are held to account by the Education Funding Agency so any issues of impropriety are immediately investigated.

"That is exactly why the EFA has written to E-ACT requiring them to take swift action to improve financial management, control and governance. We are monitoring the situation closely and will take any further action necessary."