



Internal Audit Unit
Internal Audit Investigation Team

Investigation Report on
Priory Federation of Academies Trust

March 2012

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Department for Education

INTRODUCTION

1. DfE Internal Audit Investigations Team (IAIT), working on behalf of YPLA, was requested to undertake an investigation into a number of financial issues identified at the Priory Federation of Academies Trust (the Federation) following a review by the YPLA External Assurance team.

2. The YPLA Band 5 lead for the investigation was Martin Lamb, Director of Academies, East. The IAIT team was led by Graeme Hayton, Head of IAIT.

MANAGEMENT SUMMARY

3. Our two reviews have built on that undertaken by YPLA External Assurance and have looked in more detail at the concerns they had raised. From the work that we have undertaken during the investigation our concerns centre on four areas, those specific to the CEO Mr Gilliland, those that relate to financial management within the Federation and payments for Laughton Manor and the French Centre.

4. The CEO has used the resources of the Federation to purchase training for his son, receive personal tax advice, purchase DVDs and other items using a Federation credit card and had items delivered to the academy address which were both personal and of an inappropriate nature. We were concerned that invoices appeared to have been altered to hinder identification of the recipient of the training that had been paid by the Federation, namely the CEO's son.

5. The financial management of the Federation has not been of a standard necessary for an organisation of its current size. Regularity and transparency in the use of public funds has not been demonstrated. The desire to drive the ethos and branding of the organisation has not always been linked to the fact that they are in receipt of considerable levels of public funding and that probity and regularity are also responsibilities that they need to discharge in a way that demonstrates public accountability.

6. Poor financial management and misunderstandings on responsibilities are mainly the reason why concerns have arisen as to whether expenditure incurred was legitimate. The adoption of liberal policies towards credit card usage, confusion over what was classed as Trustees expenses, unclear policies on the purchase of meals and alcohol and inadequate procurement policies and practises have led to concerns that fraud may have taken place.

7. The Federation had been told by DfE and had also recognised themselves that they needed to take action to strengthen their financial expertise. In December 2011 they agreed a compromise termination agreement with the Finance Director and replaced him with a part qualified accountant who has the background and experience to provide them with the expertise they require.

8. The purchase of Laughton Manor included a manor house whose top floors were prepared and decorated to a standard that we consider met the requirements of the CEO and his wife's intended occupation of the premises rather than the needs of the Federation. Due to tax implications the CEO never fully moved in and it is still not clear what this accommodation will be used for.

9. The French Centre whilst providing an educational resource to benefit the whole Federation had incurred construction costs to prepare two apartments. The CEO maintains that both apartments are for the use of all staff. The centre had also been used by Mrs Gilliland during September 2010 for a dance week. We identified that income for the use of the Centre for this week was paid to the Priory Fundraising Trust rather than the Federation.

10. The organisation has since achieving Academy status been subject to a number of Financial Management and Governance Evaluation self-assessments where they considered their finance and governance arrangements. In February 2011 they were visited by the External Assurance team to discuss their self-assessment and at the conclusion of the visit it was agreed that their assessment of “outstanding” was correct. They have also been subject to an annual external audit of their accounts and no issues were raised with them. Assumptions were made by the CEO and Chair of Governors that the annual audit would have looked at financial and accounting in detail so had taken assurance that, as no issues were raised, there were no problems. However the areas where issues have now arisen were not seen by the accountants as material to the accounts.

11. The reviews have come as a severe shock to the organisation and have made them realise that they need to improve in the area of financial management and to consider the wider perceptions that can be drawn from the policies that they have in place. A number of actions were also being put in place at the time of our first visit, following the visit by the External Assurance team. The Federation was very receptive to suggestions on how others could perceive their current operations and how they needed to be managed in a way that was open and transparent. Improvements in financial management could be seen to have been implemented at the time of our second visit.

BACKGROUND

12. The Federation was incorporated on 29 April 2008. On 1 September 2008 the Federation consisted of three academies – Priory LSST, Witham and City of Lincoln, with the Priory Ruskin joining the Federation from 1 September 2010.

13. Following questions raised at a PAC hearing in November 2011 the YPLA External Assurance (EA) team visited the Federation week commencing 9 January 2012 to gain information to respond to the questions raised. At that visit EA also identified a number of issues that raised concern in the following areas:

- Procurement practices, including possible conflicts of interest in the suppliers used and engagement of relatives:
- Use and control of petty cash.
- Use of credit / charge cards.
- Trustee and Trust staff expenses.
- Control and reconciliation of bank accounts.

- Purchasing, control and safeguarding of art assets.
- Use of their French Centre by Trustees/Trust staff.

14. The case was referred to IAIT for investigation on 17 January 2012. A terms of reference (at annex A) was agreed with Martin Lamb and IAIT visited the Federation week commencing 30 January 2012.

FINDINGS

Chief Executive Officer (CEO), Richard Gilliland

15. During our review a number of issues were identified that are reported below:

- Payment of equine related NVQ at West Brigford Equestrian Centre for Mr Gilliland's son in 2010 when not an employee of the Federation.
- Payment of equine related training and residential costs for a course run by Equine Energy held at Writtle College for Mr Gilliland's son in 2010 when not an employee of the Federation.
- Payment of tax advice special fees relating to Mr Gilliland's personal tax issue.
- Personal purchases using Federation credit cards.
- Inappropriate nature of personal purchases using the Federation credit card and delivered to the Federation address.
- Use of a flat at the Manor House, Laughton Manor as a residential property and they costs in refurbishing this.
- The Federation may have paid removal costs in relation to the move to/from the Manor House, Laughton Manor.
- Establishment of a private apartment at French Centre and the costs of refurbishing.
- Use of the French Centre by family members for activities not related to Federation business.
- Purchase of Federation laptops.

16. In May 2010 Mr Gilliland claimed expenses of £2,480 related to three invoices for "attendance at" the West Brigford Equestrian Centre. Mr Gilliland stated that these were for students from the Ruskin and other academies attending alternative curriculum activities. The three invoices that we extracted from the accounting records showed the dates of training and amounts due. These did not match the three invoices we were in possession of. The invoices we held stated that the training was for Mr Gilliland's son, Kia (Keir) Richardson (Gilliland). All other

information on the invoices was identical to the invoices submitted by Mr Gilliland with his claim.

17. Mr Gilliland confirmed his son undertook training at West Brigford but claimed he paid for the training. He was unable to offer an explanation as to why the invoices were exactly the same as those that related to his son's training apart from the reference to his son. He stated he would look into the matter.

18. A payment was made by the Federation in January 2010 to Equine Energy Ltd for £1,095. No invoice was held in the accounting records to support what this payment related to but it was accounted under "equestrian" which is why we identified it. Mr Gilliland stated that this was a training course for his son that he agreed with the Finance Director (FD) could be paid from his 'life insurance entitlement of £2,000 per year'. Mr Gilliland explained as part of his contract the Federation agreed to pay his life insurance. As Mr Gilliland already had life insurance he had agreed with the FD and the Chair that he could spend up to £2,000 per year on personal items. The Equine Energy training was paid for out of this allowance.

19. Credit card statements for Mr Gilliland and the FD contained payments to Writtle College for £234.04 and £29.38. Mr Gilliland stated that the payment on his card to Writtle was for items he purchased when he stayed in the area while his son undertook the training. However information we were in possession showed the payments to Writtle related to residential accommodation for his son while undertaking the training. The payment of £29.38 on the FD's related to an extra night's accommodation for his son.

20. Two further payments in 2010 that were accounted for under "equestrian" were identified that were paid for with Mr Gilliland's Federation credit card – one for £472.50 to South Essex Ins and £41 to Grundy Agriculture. No receipts were available for either purchase and Mr Gilliland could not recall what was purchased.

21. A payment of £990 was paid by the Federation in April 2011 to Buzzacott Chartered Accountants in connection with "advice in respect of an accommodation benefit in kind for the CEO". Mr Gilliland confirmed this was work that related to his personal tax position and did not relate to Federation business.

22. As discussed below there has been extensive use of the Federation credit cards. A number of these purchases appeared to be for personal use and Mr Gilliland confirmed that he had purchased personal items that came out of the £2,000 "allowance" discussed above. In July and August 2011 Mr Gilliland made two payments to the Federation for £1,253.39 and £1,349.76 in relation to personal items he had purchased from Amazon between December 2009 and July 2011. Mr Gilliland stated that he had repaid these amounts as the new FD suggested that he should repay the Federation for any personal items purchased.

23. Mr Gilliland admitted that some of the personal items purchased using the Federation credit card and delivered to the Federation offices were of an inappropriate nature to be delivered to a school site (e.g. sex games and supplements). He stated that these would only be opened by him as staff did not open mail addressed to him.

24. Mr Gilliland stated that it was his intention to live in the flat at the Manor House at Laughton Manor however following the tax implications advice received (as above) he decided against it. He stated he did live in the Manor House for four to six weeks but did not live there full time. His wife lives weekdays in the North of England and they meet at weekends. He stated that he would have moved in full time if the tax implications had allowed.

25. The ground floor of the Manor House was used as the alternative curriculum centre from September until January, when the new classrooms were completed. The top floors consisted of the flat that Mr Gilliland intended to live in. The flat has been refurbished to a high standard, for example:

- kitchen units and installation cost in the region of £14,000 plus VAT;
- three bathrooms cost in the region of £10,000 plus VAT – this was utilising some of the existing sanitary wear.

26. We have seen invoices that show the total costs of refurbishment were in the region of £45,000 plus VAT. In invoices relating to carpets, flooring, curtains, blinds and some furniture in the region of £25,000.

27. Since Mr Gilliland left (we believe in July or August 2011) the flat has not been occupied. Mr Gilliland stated that its use has not yet been determined – it may be used for Teaching school residential accommodation (if this is approved), for a live in equestrian centre manager or for the free school staff (if this is approved).

28. The French Centre consists of a Farm House (occupied by the caretakers) with apartment (referred to as the “cave”) attached and student accommodation block with apartment above. Mr Gilliland stated that the apartment above the student accommodation was used by the bus driver transporting the pupils to the Centre. The “cave” was used by Mr Gilliland and family when they visited the French Centre. He stated although he had “first call” on the accommodation it was not exclusively for their use. He stated he did have some personal possession there but not many.

29. He was asked if the FD has brought his personal possessions back from the French Centre. He stated that Mr Davies had brought some things back from the French Centre but not Mr Gilliland’s personal possessions.

30. We raised concerns about the high cost of using David Edney, a local builder in France, for refurbishment of the flat and cave.

31. We asked Mr Gilliland if the French Centre had ever been used for non Federation activities. He stated that it had been used by his wife in September 2010 for a dance school week. This was at a time when the Centre was not being used by the Federation as it was at the start of the new term. The arrangement was that participants (about 10 people) received accommodation and possibly breakfasts and one evening meal. They paid for all other expenses themselves and paid a cost for accommodation that Mrs Gilliland repaid to the Federation. When we followed this up it was identified that a cheque for £1,270 was paid to the Priory Fundraising Trust. Arrangements are being made to transfer this amount to the Federation.

32. Mr Gilliland purchased two laptops from the Federation in February 2012 paying £710 for them. One laptop was used by his daughter when she was engaged as a consultant and subsequently employed. Mr Gilliland stated the laptop had been in his possession since his daughter left the Federation in August 2011. The other laptop was an old one that he used. The ICT manager and the new FD were consulted about these purchases however it is not clear that the Federation's own policy was followed in the disposal of these assets (e.g. the laptops were no longer of use to the Federation and sale to members of staff).

33. We discussed these issues with Mr Terry Coffey, the Chair of Governors. He stated:

- He was not aware of payments for training/accommodation at West Bridgford and Writtle College. He had been informed this week about the Equine Energy training that was paid by the Federation.
- He was aware of the arrangements for the life insurance allowance of £2,000 agreed with the previous FD.
- He was aware that Mr Gilliland was thinking of living at Laughton Manor but he had informed him there would be tax implications if he did this. He said this may have been minuted at one of the Executive Trust meetings. However he was not aware that the Federation has paid for the professional advice in relation to tax implications
- He was not aware of the costs of refurbishment of the flat at Laughton Manor but stated the Federation always refurbished property to a high standard.
- He was not aware of personal purchases by Mr Gilliland of an inappropriate nature.

Engagement/Employment of Family Members

34. During the EA review it was identified that Mr Gilliland's daughter had been engaged as a consultant. We were informed that Mr Gilliland's son and wife may have also been engaged / employed by the Federation, his son under a different name due to a name change.

35. We have seen evidence that Mr Gilliland's son and daughter were CRB checked but were informed that his wife had not been. Mr Gilliland's son was CRB checked in his new name of Richardson however we were informed by Ann Turner that Mr Richardson declared his previous name when completing his CRB form. We were informed that neither Ms Gilliland's or Mr Richardson's CRB checks revealed anything that would prevent them working with children.

Anna Gilliland – CEO's Daughter

36. Ms Gilliland was engaged by the Head of the Priory LSST, Mr Ian Jones, to undertake work in connection with the new Boarding facilities. Mr Jones stated that Ms Gilliland was a known quality having worked for the school before it became an

academy. He stated she had the necessary experience and the ability to work across the Federation. Mr Jones stated that he monitored Ms Gilliland's work and she delivered what was required. She worked at the Federation offices but the work also required travel. She was provided with a laptop and phone by the Federation whilst engaged as a consultant. Mr Jones stated that she was employed as a member of staff after the new FD raised concerns about the possible tax implications of consultancy work when the Federation was her only client.

37. Ms Gilliland was paid £868 expenses for a trip to Bali in July 2010 which Mr Jones stated was to establish an itinerary for a dive holiday for boarding. This was developed although has not yet been put into practise as boarding did not open as planned in 2011.

38. We have not seen any documentation justifying the reasons for Ms Gilliland's engagement. Mr Jones stated there was a job description for the role but the payment arrangements and contracting would have been the responsibility of the previous FD, Mr Davies. The Chair of Governors, Mr Terry Coffey, was also involved in the decision to engage Ms Gilliland and he was adamant that Mr Gilliland had not been involved in the decision to engage Ms Gilliland.

39. Ms Gilliland was originally engaged as a consultant in May 2010 and was paid as a consultant/contractor from May 2010 to April 2011 at a cost of £55,585. This figure was not declared in the 31 August 2011 accounts as a third party transaction as we were told it was not clear from YPLA guidance what constitutes a "close relative", which would require a declaration to be made.

Linda Gilliland – CEO's wife

40. Mrs Gilliland was paid £6,030 in October 2008 for consultancy work in relation to the French Centre. We were informed by Mr Gilliland and Mr Coffey that Mrs Gilliland had been involved in advising on the refurbishment of the Centre in 2008 on a voluntary basis and that Mr Coffey suggested she should be paid for some of the work she had undertaken, hence this one-off payment was made on receipt of an invoice from Mrs Gilliland.

41. Mr Coffey stated that Mrs Gilliland does a lot of unpaid work for the Federation, for instance she had been involved in the creation of the Chapel on the LSST site and had not been paid for any of that work (there is a dedication in the chapel acknowledging her involvement in it).

Kia Richardson – CEO's son

42. We were informed that Mr Richardson had been employed at Laughton Manor from April 2011 to 31 July 2011. We were informed that Mr Gilliland had not been involved in the decision to employ him. Mr Coffey informed us that he had made the decision to employ Mr Richardson as Mr Richardson had previously worked with horses (at an equestrian centre in West Bridgford). Once the Federation bought Laughton Manor they needed to employ someone urgently to stay on site as they were concerned about possible vandalism as some threats had been made. They therefore did not advertise the post. Mr Coffey also stated that Mr Richardson had worked for the Federation on a previous occasion three or four years ago.

43. We were provided with a payroll listing for Mr Richardson that showed he received gross pay of £4,558.69 for the period 1 April 2011 to 30 June 2011 plus untaken holiday pay. The listing also showed that Mr Richardson was then paid £11,923.12 gross pay between 31 October 2011 and 31 December 2011. During our visit we asked Mr Coffey the reasons for these additional payments but he said he would have to follow-up and get back to us.

44. On further follow-up we received the following information:

- Mr Richardson was employed from February 2011 to June 2011 receiving gross pay of £7,073.44 (including holidays not taken). The reason we were initially informed the employment was from April 2011 was because they had changed payroll providers in April 2011 and the old payroll system had not been checked.
- Mr Richardson resigned in June 2011 but the Governors agreed to pay three month's salary in lieu of notice as Mr Richardson had lost both his job and his home – he was paid three months gross pay of £3,861 in October 2011.
- Mr Richardson then wrote to the Finance Director (FD) to enquire about unpaid overtime he had done at Laughton Manor. Mr Davies, the FD, worked out that Mr Richardson had performed eight hours overtime for every Saturday and Sunday he was at Laughton (Mr Richardson lived on site and was on call 24/7) – this was paid at time and a half for Saturday and double time for Sunday. Gross pay of £4,271.64 was paid in November 2011.
- Mr Richardson wrote again to the FD enquiring about unpaid weekday overtime when working at Laughton. The FD calculated that Mr Richardson had worked 4 hours overtime every week day night. The overtime was paid at basic rate and a gross payment of £3,790.48 was paid in December 2011.

45. We asked for a copy of the Trustee minutes that agreed the three months in lieu of notice payment to Mr Richardson despite his resignation. We were informed that this was not discussed at a Trustee meeting but was agreed between the Chair, Mr Coffey, and the Vice Chair, Maureen Crosbie.

46. We asked for a copy of Mr Richardson's contract of employment and received this on 9 February 2011. The contract states that Mr Richardson was employed from 7 February 2011 at Laughton Manor and was signed by Mr Coffey on 26 January 2011. This presented a discrepancy as in January the Federation were still negotiating for the purchase of a property at Ropsley, which they bid for instead of putting in a bid Laughton Manor. When we raised this contradiction with Ann Turner, the Development Co-ordinator, she stated that this was her mistake as they were originally going to bid for Laughton Manor and she had mistakenly put this on the contract. Mr Coffey confirmed it was his signature on the contract. The sale for Laughton Manor was not completed until April 2011.

47. On further follow-up the Federation stated that:

- Mr Richardson was employed from 7 February 2011 to undertake preparatory work for the opening of the Equestrian Centre.
- Mr Coffey was reluctant to share the letter sent to Mrs Crosbie agreeing the payment in lieu of notice as he considered it contained personal sensitive information that was not relevant to the investigation. However he has confirmed that he agreed the payment.
- Overtime is not mentioned in his contract of employment but is in the local government terms and conditions document which the Federation work to. However when we spoke to the Head of Laughton Manor he was not aware that Mr Richardson had been paid any overtime. He stated that Mr Richardson had two rest days a week and was available on site to work outside of his normal hours.

48. It is not clear why overtime was not paid to Mr Richardson when he completed it in February to July and why he had to write to the Federation requesting first payment of weekday overtime and second payment of weekend overtime.

49. When we spoke to Mr Coffey about these payments during our second visit he stated:

- “Keir Richardson resigned his position because of anticipated interest from the “News of the World” in a proposed article aimed at bringing the Priory, and particularly the Executive Head, into disrepute – a fact which was reported by me personally to each and every trustee AND to the Department for Education through CfBT. The fact that the NOTW ceased production before they were able to print their “revelations” presumably only meant that the interest in the Gilliland family moved in another direction”.

50. Mr Coffey did not want to go into further details as they were of a personal nature that was not felt to be relevant to the investigation but stated that Mr Richardson resigned to avoid bad publicity for the Federation which is why he was paid his payment in lieu of notice.

51. Mr Richardson’s contract of employment did not require him to live at Laughton Manor, however he did live in accommodation provided by the Federation (a one bedroom cottage attached to the Manor House) for which rent was not paid. The tax implications in respect of benefits in kind have not been reported to HMRC.

Federation’s History of Employing Family Members

52. We were informed that the Federation does have a history of employing relatives of staff and Mr Gilliland’s relatives are not the only ones that have been employed – Mr Davies’ son is also employed by the Federation.

53. In July 2011 a Trustee has raised concerns about the transparency of appointments within the Federation. A sub-committee consisting of three Trustees was set up to look at all appointments within the Federation between September 2008 and July 2011 and the policy on appointments. The Committee comprised

Maureen Crosbie, Ian Wright and Ian Jones. A report was produced and discussed at the October Trustees meeting, and we have been told was shared with YPLA as part of the minutes of that meeting. The report stated:

“...that in every single case we concur that the decision to appoint directly without the benefit of an external advertisement has been the correct and sensible one”

and concluded:

“There was no evidence that family members of staff already employed within the Trust had not fulfilled their duties satisfactorily nor is there any evidence that proper procedures and assessments had not taken place. We therefore recommend that the current practices remain in place. We find no logical basis to change the system which operated since 2008 so effectively and to the benefit of the Trust.”

54. The Trustees accepted the recommendations in the report. We discussed with Mr Gilliland and Mr Coffey the practise of employing relatives and the fact that the senior members of the Trust need to ensure that decisions made can be supported, are documented and are transparent.

Former Finance Director, Steve Davies

55. We were informed the former Finance Director (FD) Mr Steve Davies retired in December 2011 but was being paid to 31 March 2012 as he had accrued holidays from the last three years. A holiday slip/record was not available to verify this.

56. Mr Davies has been FD since the Federation was incorporated. He is not a qualified accountant and the Federation were advised by DfE during an earlier review that Mr Davies was not qualified and that they should consider replacing him. Mr Davies has agreed a compromise payment of one year's salary (around £84,000) with the Federation. We were informed that this was cheaper than other options considered and the agreement suited both parties.

57. Mr Davies had a company credit card and using this he paid for Mr Gilliland's son's accommodation at Writtle College to undertake a course (as discussed above). Mr Davies was also involved in making the payment to Equine Energy Ltd for the training course – the only information to support this payment is a handwritten note from Mr Davies giving the supplier name, amount to be paid and a annotation stating “Today” - the note has Mr Davies' signature on it.

58. Mr Davies is a sailor and is currently sailing his boat in the Caribbean. He has been provided with a satellite phone by the Federation which the Federation continues to pay monthly rental for. It is not clear whether or when the phone was purchased. We have seen claims for rental cost amounting to £652.28 between November 2010 and February 2012. We were informed that this phone had been provided so that the Federation could contact Mr Davies while he was on holiday on his boat.

59. Mr Davies has also purchased a number of items using the company credit card including his own leaving gift of a Deluxe Metal Sextant at a cost of £505.90. Mr Coffey, Mr Gilliland and Mrs Willey (the new FD) were all aware of this purchase.

Use of Credit / Charge Cards

60. The EA team raised concerns that, because credit card payments were not supported by receipts, VAT paid could not be reclaimed by the Federation.

61. As stated above we reviewed credit card statements for 2010-11 and some for 2008-09.

62. During our first visit there was no complete record of the number of credit cards and account details of credit cards held by the Federation however Mrs Willey, the new FA, was confident that we had statements for all the cards that had been paid by the Federation. Mrs Willey stated that Mr Davies, the former FD, would have had a list of all cards but did not pass this over when he left. At one time, according to the Federation Finance Manual, Mr Gilliland held six cards, one for each academy and one for the central Federation and a French charge card, but now holds only one. Mrs Willey was in the process of identifying and recording all cards held and had made progress on this at the time of our second visit.

63. In reviewing the statements for Mr Gilliland's credit card, receipts were not attached to the statement, although some work had been undertaken between the visit by EA and our visit, to attach receipts that were still held to the statement – this mainly related to receipts from Amazon.

64. On the use of credit cards the Federation's Finance Manual states:

“Expenditure will be at the discretion of the Chief Executive or Finance Director or Heads of Academy and wherever possible supported by receipts. In any case the monthly statements are fully itemised and these are to be checked and signed off independently”.

65. Mr Gilliland stated that he was informed by Mr Davies that he did not have to provide receipts as the credit card statement provided details of what had been spent. This was confirmed by others interviewed during our visit.

66. The policy on use of credit cards states “the purpose of the card is for the sake of convenience and to cut down on the requirement to carry petty cash or write individual cheques”. However the use of the cards seem to extend much further than this, for example:

- Withdrawals of cash - as covered above.
- Purchases of electronic items such as Ipads (two identified), Bose Wave system, Nintendo DSI, Play station 3, Wii, iPod touch, washing machine, laptops, dishwasher, microwave, various items from Currys (no receipts). Receipts were present for some of these items.
- Items from Homebase – on one statement in June 2011 six separate purchases were made for items totalling £820.77, another in in May 2011 had five purchases totalling £1,435.18 but no receipts were provided.

- Purchase of alcohol from John Lewis, Sainsburys, Asda.
- £8,564.14 spent at Marks and Spencer on bedding and sofas.
- Purchase of a caravan and a flatbed truck.
- Large numbers of DVDs and books purchased from Amazon – some appear inappropriate for School children (e.g. 18 certificates which we were informed would go to the French Centre for the use of staff).
- Purchase of yoga and dance DVDs (totalling over £200 in 2010/11).
- Ferry costs to France and other purchases in France.
- Purchases of meals in local hostelryes/restaurants. Two receipts were annotated “Sarah leaving meal” (£111.55) and “Phil Boyd Wilson leaving drinks” (£218).
- Purchase of meals and food in France, which included £315 spent on 25/12/10 on Mr Gilliland’s credit card for, we have been told, Christmas lunch that was authorised by Mr Coffey, the Chair of the Trust although it is not clear whether all Trustees were aware of this.

67. We asked Mr Gilliland for information on some of the un-receipted purchases on his credit card:

- The items purchased in France relate to the refurbishment of the French Centre - when they visited the Centre basic supplies had not been purchased by the resident Centre Managers.
- The bedding and sofas were for the French Centre.
- Dvds, books, playstation, wii etc were for the use of pupils at either the French Centre, Laughton Manor or the School libraries.
- Items from Homebase were purchased for Laughton Manor.
- The caravan and flatbed truck were for Laughton Manor.
- The yoga and dance DVDs were for the use of pupils.
- The Federation do provide alcohol for functions, including, with the agreement of parents, a glass of wine for pupils attending the “welcome to the 6th form” dinner.

68. As identified by EA there have been a number of purchases by credit card where the Federation could have reclaimed VAT if they had retained the VAT receipt. We are not able to identify the amount of reclaimable VAT that has been lost due to their practise of not retaining receipts.

69. On 3 February 2012 an email was sent to all Heads and Finance Officers stating that credit card purchases must be supported by a valid VAT receipt.

Trustee/Federation Staff Expenses

70. A number of the issues were identified by the EA team in relation to expenses. These are summarised below with further findings from our review:

- Claims were not supported by receipts, or were only supported by photocopied, handwritten or personal credit card receipts. As well as the claim being unsupported this also prevents the Federation from reclaiming as VAT that may be reclaimable. The email of 3 February 2012 sent to all Heads and Finance Officers requires receipts to be provided for all travel and subsistence claims.
- Trustees had been making purchases as if they were staff (e.g. purchases of items and equipment for the French Centre) and the way these expenses had been accounted for made it appear as if they were Trustee expenses (i.e. travel and subsistence expenses). This has resulted in inflated Trustee expenses being identified in the annual accounts for 2009/10 and 2010/11. The new FD has taken action to identify what were actual Trustee expenses and other items purchased by Trustees. These items are now being accounted for appropriately. Mr Gilliland also paid personal coinage of £1,261.81 into the Federation and received a cheque but this was accounted for as an expense claim for Mr Gilliland further inflating expense figures.
- Expense claim forms were not always completed or completed properly, signed or authorised. This is a particular concern as a duplicate payment resulted (see below) as Mr Gilliland was not required to sign a claim form for his expenses. If he had been required to sign he may have identified he had already been paid the expense.
- Duplicate payments for expenses were identified by the EA team and they also raised concerns about possible payments in sterling when they should have been in euros. Follow-up of these issues confirmed a duplicate payment made to Mr Gilliland of £2,262.49 on 20/05/11, which had already been claimed on 21/03/11 as £2,591.29. Mr Gilliland explained that this was caused as the payment was for furniture purchased in France which was not delivered immediately. He claimed for the purchase on his return to the UK but the Finance team retained the receipt until the furniture was delivered and then processed it to pay Mr Gilliland again. A duplicate payment for £53.64 euros (£49.67) was claimed by Mrs Crosbie. Mr Gilliland and Mrs Crosbie have now refunded the duplicate payments. No further duplicate payments were identified during our review however we were not able to review all claims.

- It is not always clear whether sterling or euros are being claimed. We followed-up the one case identified by the EA team and the Federation have confirmed that it was sterling that had been claimed and paid.
- Expenses have also been claimed for:
 - i. Making cash payments to casual labour at Laughton Manor.
 - ii. Purchase of meals and alcohol (issue covered under charge/credit cards).
 - iii. Purchase of travel for Trustee/Staff family members travelling to the French Centre (covered under the use of the French Centre).

71. The Federation Finance Manual details the Trustee Expenses Policy and this was updated in June 2011. The manual requires that a claim form is completed and this has to be authorised. All claims are required to be supported by receipts. The policy was clearly not being complied with.

Use and Control of Petty Cash

72. As well as the use of petty cash at the Central Federation, academies, Laughton Manor and the French Centre concerns were also raised about cash advances being given to staff outside of petty cash arrangements and cash advances being obtained from credit cards.

73. The main petty cash floats for 2010-11 were reviewed for the central Federation, Witham and Ruskin (Manthope site) Academies.

74. The records provided for the Witham Academy were transaction listings only as receipts are filed separately for each month with other monthly financial information. We did not have time to obtain and review the receipts for this academy.

75. The records for the Ruskin Academy (Manthope site) were reviewed and no issues were identified. Full records and receipts for all transactions were present.

76. For the central Federation 21 transactions were reviewed. Of those two transactions did not have receipts (purchase of lunch for staff member travelling to an academy of £11 and a cash advance to the CEO of £40) and two transactions only had part receipts (no receipts for taxis of £63.10 and a sandwich order for a number of staff in London for £23.16). The majority of the transactions relate to the provision of lunch for staff members or visitors to the Federation. The Federation's policy on entertainment and hospitality states:

“The Trust places great value on always treating staff, visitors and indeed anyone associated with the Academies with the utmost respect and this is reflected in our general approach to issues to do with hospitality”; and

“It is expected that the budget will be used for meals/refreshments, taken while members of staff are engaged on school business, whether during the school day, outside the school day, or on days when the school is not in session”.

77. In reviewing credit card purchases for 2010-11 and some for 2008-09 one cash advance obtained by Mr Davies, the former Finance Director, was identified (for 200 euros) and five advances by Mr Gilliland were identified (for various amounts, all euros apart from one in dollars). As explained in the EA report on occasions Mr Gilliland purchased art items for the academies and centres from markets and such like and could not always obtain a receipt. When cash advances are obtained he records what has been purchased with the advance in a file he retains, together with receipts, where available, and a photograph of the item purchased.

78. We reviewed the file and it held details of 21 purchases that cash advances had been used for. However one of the advances we identified on Mr Gilliland credit card statement was not in the file and a record of what Mr Davies had used his cash advance for was not recorded.

79. Since the review the Federation have issued instructions that any cash advances should be funded from petty cash only and not from credit cards.

Control and Reconciliation of Bank Accounts

80. We identified 20 accounts that were holding a balance at 31/08/11. These covered the central Federation, the French Centre and LLST, Lincoln, Witham, and Ruskin academies. Reconciliations on the central accounts were undertaken weekly and the Academies and French accounts when bank statements were received. We requested and received copies of the Lloyds General account Ref 1410 covering the period 31/12/10 to 31/08/11. There were four accounts currently in use for the French Centre though only the 1st, 2nd and 4th contained balances (€10787, €11392, €6155) at the 31/08/11.

81. The reconciliations were present on the related account files and had been prepared by the accountant. We did not re-perform the reconciliations.

Purchasing, Control and Safeguarding of Art Assets

82. The EA team raised concerns about the acquisition of artwork and the identification of all art assets held in the Federation. The concerns about acquisition stemmed mainly from the practice of the CEO using cash advances to purchase artwork with what appeared to be no documentation to support what had been purchased. This issue is covered in paragraphs 76-77 above.

83. Since the visit by EA the Federation has done a lot of work to identify and inventory all their artwork and, where applicable assign it a value (much of the artwork was purchased for the predecessor school). There will be an inventory of artwork for each of the Federation sites. This was still a “work in progress” at the time of our review.

84. On the advice of the EA team the Federation have now detailed a budget for Mr Gilliland to use for art purchases and a separate account code for them.

Financial Management at the French Centre

85. The financial management of the French Centre has been split between the Central Federation and the on-site caretaking team. Payments in relation to the centre may be made by cash, debit card or cheques drawn on the French bank accounts. The EA team raised concerns around the heavy reliance on cash payments and the lack of transparency that this presented. We are unable to give any additional assurance on the use of funding drawn in this way other than the statements of the CEO that they mainly funded the acquisition of art/artefacts for the Centre. A documented folder containing photographs of the items in situ was held by the CEO.

Use of the French Centre by Trustees/Federation Staff

86. The EA team raised concerns about the cover arrangements for the French Centre when the resident caretakers are on holiday and Trustees or Federation staff cover for them. Those providing cover were usually accompanied by their partners and in some instances children. There was also the question of what arrangements were in place for board when people covered at the Centre. The EA team also took the view that the current arrangements were not sustainable and the Federation should put cover arrangements on a more regular basis.

87. We discussed cover at the French centre with Mrs Turner and Mrs Willey. They stated that the cover was to undertake specific duties that have to be performed on a daily basis at the Centre (e.g. flush all toilets and run all showers as the Centre relies on a septic tank). A schedule of daily, weekly, monthly and annual routines and tasks have been documented by the caretakers and are recorded when carried out. This and the fact that their insurance cover requires someone to be resident at the Centre is the reason that cover is provided by the Trustee/Federation staff. We understand that there are valid reasons for using Trustees/Federation staff as detailed above and also to ensure safeguarding issues do not arise when pupils do attend the Centre. However at the time of our visit none of this justification has been documented.

88. The issue of Trustees/Staff being accompanied by partners/children was explained as the location of the Centre was quite isolated so the Federation would not expect staff to travel/stay there alone, and they believed the costs of funding partners would provide value for money when compared to having to employ someone to reside at the Centre.

89. The issue of providing board for Trustees/Staff was not clear, however from credit card statements it is clear that both Mr Gilliland and Mr Davies have used their company credit cards whilst in France to purchase items at supermarkets and meals at restaurants. Examples of these include:

- Mr Gilliland's card used on Christmas day 2010 at Le Manoir de la Dro at a cost of £314.84 – we have been told that this was for Christmas lunch that was authorised by Mr Coffey, the Chair of the Trust.
- Mr Gilliland's card used on December 2010 at Les Briconautes at a cost of £199.05.

- Mr Davies' card used in June 2011 at Le Pressoir at a cost of £312.42.

90. At the time of our visit Mrs Turner was developing the business justification for Trustees/Federation staff to provide cover at the French Centre and a case showing that funding the Trustee/staff travel and subsistence (a maximum of £20 per person per day was proposed) proved value for money when compared to quotes obtained for 24 hour surveillance of the property (a copy of the draft was provided). However the policy will need to be agreed by all Trustees.

Procurement Practices

91. Concerns were raised by EA that

- The same suppliers were being used continually.
- EU procurement directives were not being complied with.
- Credit card purchases and expense claims were being used to purchase goods and services circumventing more appropriate procurement routes.

92. During the review we:

- Reviewed the declarations of interest made by Federation trustees and staff members.
- Used Riskdisk software (credit reference software) to identify if any Federation trustees or staff members were directors / shareholders of companies frequently used by the Federation.
- Reviewed a number of procurements to understand how the procurement had been undertaken and who had been involved in the decision to use the supplier.
- Discussed the engagement/employment of relatives of trustees/senior management and reviewed trustee minutes when this issue was discussed.
- Reviewed credit card and expense claim purchases.

Declarations of Business Interests

93. The following Trustees / staff have declared links with suppliers the Federation does business with:

- Terry Coffey, the Chairman, owns a company, Jointine that is a tenant of the Lindum Group, who the Federation have used for a number of their large building/refurbishment projects (see later). Mr Coffey also declared a link with Nicholson's who undertake the Federation's annual audit of their accounts as they also audit Mr Coffey's own company. Mr Coffey stated that he did not participate in Trustee/Executive

meetings when procurement decisions were required and Lindum / Nicholsons were bidders. We have seen evidence of this in Executive meeting minutes. However although Mr Coffey did declare an interest in Lindums during discussions for the St Katherine's House refurbishment in December 2008 a note of the discussions also indicate that he did participate in the decisions stating his preference was for Lindums as it was "better placed in the financial climate to start and finish the work". The note also reflected that two large construction companies in Lincolnshire had recently gone into liquidation.

- Ann Turner, Company Secretary and the Federation's Development Coordinator, declared an interest in R&SL North, a building contractor owned by her cousin. Although R&SL North have been invited to tender for work we cannot find evidence that they have been a supplier to the Federation.

94. A number of other trustees and staff have declared links with other companies but none that we identified as being suppliers to the Federation.

95. Mr Gilliland did not declare any interest/links with companies in his 2011 declaration but in his 2010 declaration he did declare his links with his daughter's company – ANO Services.

96. We were informed that Maureen Crosbie, the Deputy Chair, is a shareholder in Marks and Spencers and used her discount to purchase items for both the French Centre and the Boarding Wing. However Mrs Crosbie has not declared that she is a shareholder of Marks and Spencer.

97. Our review of Riskdisk information for the Lindum Group, R&SL North and Jointine found no links (as directors or shareholders) between companies and the Federation's trustees and senior staff.

Procurement Policy and Practices

98. The current Procurement Policy for the Federation states:

"All goods/services ordered with a value over £50,000, or for a series of contracts which in total exceed £50,000, must be subject to formal tendering procedures. Purchases over the threshold may fall under EU procurement rules, which requires advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in Annex 3d to the Academies Financial Handbook".

99. The policy does not identify what is meant by "formal" and all the procurements we reviewed during our visit were either restricted tenders, where companies had been invited to submit a tender, or single tenders. No procurements had been advertised in OJEU or been subject to open tendering, the market has therefore not been tested. It is clear that some tenders should have been advertised in OJEU but some could also be classed as "construction work" which is subject to the higher EU threshold of over £3 million.

100. In reviewing documentation to support procurement decisions we were able to identify some evidence of tenders from more than one supplier for individual pieces of work and decisions on which supplier should be used being discussed and agreed at Executive meetings. However all the paperwork we would expect to find was not present and the Federation cannot therefore demonstrate that the purchasing decisions made are transparent.

101. We discussed procurement activities with Ann Turner, the Company Secretary and Development Coordinator, who has dealt with all the major procurements since the Federation was established. She stated that the Federation policy was to use local Lincolnshire suppliers wherever possible. She was able to give background on why sometimes single tender procurements were made but the reasons were not documented in the file.

102. Another area of concern is that there are no contracts in place for work undertaken. Major work for hundreds of thousands of pounds has been awarded to companies and contracts have not been signed to protect the interests of the Federation. Mrs Turner stated that work is managed via the work schedule agreed with the supplier.

Work Awarded

103. Mrs Turner stated that they do have some preferred suppliers for Academy fixtures and fittings as there is a “Priory” look that they want to achieve in all their academies so they have suppliers that they know can deliver this. For example the supplier they use for some of their furniture is the only supplier that can provide the look and feel they want. They have a particular supplier they use for any new garden developments as they know what the Priory want and believe they get good value for money as they charge little for the design. For other work they do not have preferred suppliers but Mrs Turner stated that much of the time the work has to be undertaken at short notice and in a short timescale so some suppliers cannot react as quickly as required.

104. It is clear that the Lindum Group have received a lot of business from the Federation over the last three years – from information provided we estimate payments over the last three years by the Central Federation to Lindum to be in excess of £6 million. Sometimes the work awarded to Lindum has been as part of a tender exercise and sometimes on a single tender basis. When we discussed this with Mrs Turner she stated that the Lindum Group were at an advantage when they bid for any work such as new buildings (pods) as they know the design and the “Priory” way from previous work undertaken. Examples of “contracts” awarded to the Lindum Group are detailed below:

“Contract”	Estimated value	Tendered	Should have been advertised in OJEU?	Reasons for selection
The French Centre refurbishment	£1.4million (started as £500,000)	No	Yes - refurbishment	No interest from suppliers in France (not advertised, word of mouth) and did

“Contract”	Estimated value	Tendered	Should have been advertised in OJEU?	Reasons for selection
	but then work expanded)			not think they would get other British suppliers to go to France to do the work
Laughton Manor - building pod and some refurbishment of Farmhouse	£400,000	Did contact some suppliers to ask if they would tender but short notice and no one would.	No – building pod classed as construction. Other work less than EU threshold.	No one else tendered for pod – note in file four other suppliers contacted but three did not respond because of “time constraints”. One said they would look at specification but did not submit a tender. For windows for Farmhouse one other company bid but Lindums was just under £20,000 cheaper.
Faraday project building	£1.4million	Yes	No - building pod classed as construction.	Two other quotes received – Lindums cheapest. Quotes undertaken in Feb/March 2008.
St Katherine’s House refurbishment	£205,552	Yes	Yes	Two other quotes – Lindums in the middle (£9,000 difference between all three).
Witham Academy swimming pool	£750,000	Yes	No – construction	One other quote – Lindum cheapest by over £400,000. Lindums were also used for the Priory LSST pool (prior to 2008)

105. Lindums were not awarded the “contract” for the running track at Priory LSST after bidding for it. The award went to another supplier who was slightly cheaper and the company selected (Balfour Beatty) were already undertaking other work at the site and included extras in their quote that Lindums did not include.

106. A considerable amount of work was undertaken at the French centre by David Edney Enterprises. In the period 01/09/10 to 31/08/11 this totalled €80,803.44. We were unable to establish documentary evidence as to how this English speaking French builder was recruited and can only rely upon a statement from Mrs Willey that he was recruited by Paul Wilson, a surveyor used on the French project. The payment trail has been traced through the invoices and French bank accounts from which he was paid.

107. By not complying with EU Procurement Directives the Federation are running the risk of a challenge by other suppliers that could be taken to the High Court or the European Court of Justice. The penalties for non-compliance with the EU Directives were strengthened in 2009 with the introduction of the amended Remedies Directive. Under this penalties for non-compliance, for example for not advertising in OJEU, can be severe, including the suspension of any tender exercise or contract that has been awarded through not following the Directive and unlimited financial damages to the supplier challenging and possibly the supplier whose contract has been ended as a result of the challenge.

Purchase of Goods and Services Using Credit Cards/Expense Claims

108. The sections on “Use of Credit/Charge Cards” and “Trustee/Federation Staff Expenses” contain examples of purchases of goods and services which have circumvented the Federation’s own procurement policy. As invoices/receipts have not always been supplied for the credit card/expense claim purchase the Federation has not been able to re-claim VAT on these purchases. A number of purchases have also been made in France, paying the French equivalent of VAT, which, we understand, cannot be reclaimed in the UK. This has resulted in a loss of revenue for the Federation.

Other Issues

Refunds to the Federation as a Result of Visit

109. During our review we identified:

- An invoice for £27,780 received on 31/08/2011 from Budget Stretcher (UK) Ltd had been paid by the Federation. However an email attached to the invoice indicated that the payment should have been made by Balfour Beatty as it related to an academy new build. Balfour Beatty were invoiced for the amount on 2 February.
- A payment for £531 for Health Screening was made twice using a company credit card – the 2nd time because the company stated they had not received payment. A refund of £531 was obtained from the company following our visit.

- Duplicate payments to Trustees for expenses claimed (as detailed above) amounting to £2,640.96 have been refunded by Mr Gilliland and Mrs Crosbie.

RECOMMENDATIONS

Procurement

110. Improvements are required to ensure compliance with EU directives and ensuring value for money for purchases below EU thresholds by testing the market more fully (e.g. by open tendering).

111. For procurements undertaken the documentation held to support the process and the decision to award the contract was limited. For example there were no documented selection/award criteria, no record of tender opening, no documented evaluation of tenders (apart from the recently let cleaning contract) and no report of tender evaluations. This documentation needs to be retained to show the procurement process that has been followed and demonstrate compliance with procurement law and transparency.

112. No written contracts were in place for any of the procurements undertaken. The Federation are at risk that they are inadvertently signing up to suppliers' terms and conditions, rather than suppliers accepting the Federation's terms and conditions. This could result in problems should either party fail to deliver.

113. Procurement law is complex and we recommend that the Federation consider gaining some expert knowledge and advice in this area.

Use and Control of Petty Cash

114. The Federation have already taken steps to advise staff that cash advances can only be obtained from petty cash and not by any other means and that receipts will be required for all purchases.

Use of Charge/Credit Cards

115. Steps are already being taken by the Federation to:

- Identify all charge/credit cards used by the Federation and rationalise these.
- Stop cash advances being obtained from credit cards.
- Ensure receipts, orders and relevant emails are provided for all credit card purchases to demonstrate why the purchase was made via a credit card.

116. During our review a number of cash advance were identified where it was not known what the advance was used for. We understand a record is kept by Mr Gilliland of purchases made with cash advances but all the advances we identified were not in the records at the time of the review. We were not able to check all credit card statements during our visit so would recommend that credit card

statements are checked to ensure all cash advances have been identified and there is supporting information held to show what they have been used for.

Trustee/Federation Staff Expenses

117. Action has been taken to inform staff that expenses will not be paid unless receipts are provided but we would also recommend that the expense claim forms are properly completed (including the signature of the person claiming) and approved (as per the Travel and Subsistence Policy) before payments are made. If someone completes a claim on behalf of someone else (e.g. as a PA may do) the claim form needs to be signed by the person who will be paid the expenses – this is to ensure they know and understand what they are claiming and can confirm it is correct.

118. Two duplicate claims were identified however we did not have time to check all claims so would recommend a review is undertaken to ensure further duplicate claims do not exist and that these and the credit card checks are signed off by the external accountants.

Purchasing, Control and Safeguarding of Art Assets

119. The Federation has taken steps to:

- Ensure supporting documentation exists for art assets purchased (that is, if no receipt can be obtained a record of what was purchased, the amount and a photograph of the item will be retained).
- Develop art asset inventories of all art assets held on each site.
- Set a budget for art purchases and a separate account code so these can be identified.

Use of the French Centre by Trustees/Federation Staff

120. The Federation are in the process of developing and documenting their justification for Trustees/staff to provide caretaking at the French Centre when the managers are on leave. This justification will include the reasons why it needs to be Trustee/staff undertaking this work and a comparison of costs of allowable expenses for Trustees/staff compared to the costs of outsourcing the work.

121. We would recommend the justification should be shared with YPLA when complete.

Internal Audit Investigation Team (IAIT)

Terms of Reference

Investigation title: YPLA – Priory Federation of Academies Trust

Purpose of investigation (background):

At the Public Accounts Committee (PAC) hearing on 28 November 2011, a number of questions were raised concerning financial management and value for money at the Priory Federation of Academies Trust (the Priory) based in Lincolnshire. Following subsequent discussion with the National Audit Office, the YPLA Chief Executive asked for a detailed assessment of the questions raised at the PAC by the YPLA's External Assurance team.

The External Assurance team visited the Priory week commencing 9 January 2012. Their review raised major concerns in relation to:

- Procurement practices, including possible conflicts of interest in the suppliers used;
- Use and control of petty cash;
- Use of credit / charge cards;
- Trustee and Trust staff expenses;
- Control and reconciliation of bank accounts;
- Purchasing, control and safeguarding of art assets;
- Use of their French Centre by Trustees/Trust staff;

On the basis of the above the YPLA have requested that the IAIT carry out an investigation into the above issues. The YPLA band 5 lead for the investigation is Martin Lamb, Director of Academies East. The investigation will be undertaken by IAIT staff working under the management and overall direction of the Head of IAIT

IAIT will initially review the current academic year, 2011/12, but will expand the review to 2010/11, 2009/10 and 2008/09 depending on the findings (the Priory was incorporated on 29 April 2008).

Objective and timescales of investigation

To ensure that adequate evidence exists to support:

- The procurement decisions made by the Priory;
- All payments made by the Priory;
- The expenses claimed by Trustees and staff;
- The reconciliation and control of bank accounts;
- The purchasing, control and safeguarding of art assets;
- The use of the French Centre by Trustees and Trust staff and that use does not present a private benefit.

The IAIT team will visit the Priory w/c 30 January 2012.

Scope of investigation:

The scope of the work will include:

- Review all contracts or spend to identify documented business need, approval to purchase, tendering, authorisation to purchase and costs do did not exceed tender / authorisation. A threshold limit may be determined following review of the value and volume of transactions. OJEU levels to be taken into account (this will involve looking at all spend with the same suppliers to identify if work they should have been treated as one contract).
- Review all petty cash spend to identify what was purchased and whether the purchase can be supported.
- Review all credit / charge card purchases (UK and French) to identify what was purchased and whether the purchase can be supported.
- Review Risk Disk/Companies House information on the supplier companies and Trustees/staff to ensure all conflicts declared.
- Ensure any Trustees/staff with conflicts of interest declared have not been involved in procurement decisions.
- Review all expenses claimed by Trustees and Federation staff to ensure that they were expenses (not goods/services), appropriate expenses for the Trust and duplicate claims have not been paid.
- Review all bank statements and follow-up transactions as necessary.
- For all art purchases ensure they are on asset registers and exist.
- Use of the Centre by Trustees/staff since its opening. Reasons, duration of the visits and how it was funded (travel, accommodation, meals and refreshments)

Other significant Information

The scope of the investigation will not include reviewing the purchase the Priory's French Centre (the Centre des Etoiles) or the Priory's Equestrian Centre (Laughton Manor). However we will be reviewing purchases for and transactions by made by the Priory for these centres.

Investigation team:

The investigation team will be led by Graeme Hayton, Head of IAIT and will comprise Barbara Burns.

Reporting arrangements:

YPLA senior management have requested the investigation be completed within four weeks (by 14 February 2012). IAIT will endeavour to meet this deadline but cannot guarantee the investigation will be complete by then. If it is not complete by the 14th we will report our findings to date.

A first draft report will be produced within two weeks of concluding the review. The date for the final report will be within two weeks of the agreement of the draft report.

Signed for Young People's Learning Agency:

Name: Martin Lamb
YPLA Band 5 lead

Signature:

Date: 22/01/12

Signed for DfE IAIT:

Name: Graeme Hayton
Head of IAIT

Signature:

Date: 22/01/12