



Academy Advisor

Summer 2014

Welcome to our regular newsletter for Academies and Free Schools.

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'Dear Accounting Officer'

The Chief Executive of the EFA has written a 'Dear Accounting Officer' letter for academies to draw their attention to issues that have arisen from the EFA's recent work and from hearings of the Public Accounts Committee. The letter considers the following key points:

- Fraud and irregularity
- Transactions with connected parties
- Special payments
- Online training

Peter Lauener also reminds academies that in order to support them in understanding the latest changes to the financial accountability framework, and completing financial returns, the EFA are launching a series of online narrated presentations and interactive webinars.

A copy of his letter can be found here <https://www.gov.uk/government/publications/letter-to-academy-trust-accounting-officers> and if you would like to discuss any aspect further with us, please do not hesitate to get in touch with your advisor.

Academies Accounts Return

The new section this year, as shown in the March 2014 and August 2014 AAR is Land and Property. To ensure the correct accounting treatment has been carried out, for each separate land and buildings held you should enter:-

1. Description (school building/sports facility/administration)
2. Net book value (**NB** ensure agrees back to accounts)
3. Freehold or leasehold
4. How obtained (Donor/lessor/purchase type: purchase/LA/church/faith body/other)
5. Lease term/type/rental type, if applicable

The August 2014 AAR is now available on the EFA website.

Academies Accounts Direction for 2013-2014

The most recent Academies Accounts Direction was published in May 2014. The key points you will need to be aware of include:

- Publish 31 August 2014 accounts on Trust website by 31 January 2015 (previously 31 May)
- Retain two full years of accounts on website
- Watch out for Strategic Report in Trustees' Report
- State changes in Trustees' board and committee membership
- State challenges faced and outcomes
- Separate disclosure on staff severance payments
- Ex gratia/compensation payments, gifts and losses disclosures
- No change to staff governors' remuneration disclosures
- Check treatment of fixed assets, capitalisation policy and substance of leases – additional disclosure of land and building transactions.

Your advisor will be able to assist if you need further clarification.



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Accounting for the year end

The Academies Accounts Direction shows the detailed disclosures required. Please remember to obtain an [FRS17 LGPS pension scheme report](#) from the actuary as at 31 August 2014 as there is likely to be an additional pension charge to process in your year end accounts, extracted from the actuary's report:-

a.	Current service cost	264		
	Employer contributions paid	201		
		<u> </u>	63	→ Include as staff pension cost in SOFA
b.	Interest cost on obligations	150		
	Return on assets	128		
		<u> </u>	22	→ Include as other finance costs in SOFA
	Total additional charge	<u> </u>	85	

You will need to consider if any staff have opted out of Teachers' Pension or LGPS and the impact of potential additional pension costs under auto-enrolment.

Have you planned for auto-enrolment? If you require any advice, please contact your advisor.

The New Charities SORP

In March 2013 the Financial Reporting Council (FRC) published a new financial reporting standard (FRS 102) for accounting periods beginning on or after 1 January 2015 and the Charity Commission subsequently issued an exposure draft of a new Charities SORP, based on FRS 102. The new SORP was approved by the FRC in May 2014 and is likely to be published later in the summer.

The new Charities SORP will apply to all academy trusts, who will use it to prepare their financial statements for the period ending 31 August 2016 (a small number of new trusts, preparing their first set of financial statements will need to apply it earlier - for the period ending 31 August 2015).

Peter Gotham, part of our Not for Profit team serves on the national SORP committee and worked extensively on developing the new Statement of Recommended Practice for charity accounts. Our Schools & Academies team will work closely with Peter to ensure we keep our clients fully informed.

To support academies & free schools, we will be hosting a number of events across the country to update delegates on the practical implications of the final SORP, discuss where the areas of challenge might lie, and highlight areas which need review and preparation at an early stage. Full details will follow once it has been published.

Key Performance indicators

The review of activities in the year within the Strategic Report must include an analysis against key performance indicators, including at least one financial KPI.

Examples given in the AAD are:

- Ofsted inspection outcomes
- Examination/key stage results
- Pupil attendance and recruitment data
- Financial performance (compared to budget/last year/trend)
- Investment performance

A KPI can be; used to evaluate an organisation's success or the success of a particular charity, can look forward or backwards, and can measure inputs, outputs or progress towards a goal.

If certain data is relevant to you, it will be relevant to users of the accounts, so use information you already have e.g. budgets for 2013/14, pupil registers, staff numbers.

The KPIs may link to the Accounting officer's report on value for money, in revealing how resources have provided good value for money for the Academy in:

- Improving educational results
- Better governance and oversight



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- Better purchasing
- Better income generation

Finance and governance reviews

The EFA occasionally carry out financial review procedures and publish reports on their website. The following is a list of comments extracted from some of the most recent reports, to highlight areas where Academy or Free school trusts have not fully complied with their responsibility to have robust financial procedures in place:-

- Work not put out to tender
- Award of contract not supported by documented rationale for the decision
- Budget had not been presented to Governors for approval
- Cash flow forecasting for at least the next twelve months is not undertaken
- A business continuity plan is not in place
- No evidence of anti-fraud policy
- Minutes lack sufficient detail to establish level of governors' discussion and scrutiny

Your advisors should make you aware of any areas not sufficiently covered in your existing financial procedures and can provide advice on how to rectify any issues.

Changes in Trustees or Accounting Officer

Academies and free schools are required to notify the EFA about changes in governance contacts.

Academies, including MATs and free schools should notify leavers and joiners to the EFA for:

- Chair of Trustees
- Accounting Officer
- Chief Financial Officer

via academy.questions@education.gsi.gov.uk

(Changes in members, Trustees and senior leadership teams are reported via the annual accounts).

Staff severance payments

Special severance payments are paid to employees, outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. Severance payments do come under very close scrutiny and you should read the detailed advice set out in the Academies Financial Handbook. In terms of reporting, you will need to include the date, total paid, and the individual amounts paid over £5000. No names are required, but Trustees may wish to confirm with their legal team about any clause required in compromise agreements, to cover this accounting requirement by EFA funders.

Risk pooling scheme 2014/15

A voluntary risk pooling insurance scheme comes into effect from 1 September 2014, for academies and free schools who wish to join the scheme, at a cost of £25 per pupil, whenever they join and their current policies expire.

Those not wishing to join can secure their own insurance, to be funded from their budget. The top up of £20 per pupil paid in 2013/14 is being withdrawn from 1 September 2014, but EFA will continue to reimburse the actual insurance costs above £25 per pupil from 1 September 2014 to expiration of current insurance contracts, for a maximum of one year under contracts entered into on or after 13 February 2014.

Tax Note

Do you need assistance in applying for a P11D dispensation, or PSA for 2014/15?

Or do you require advice on potential P11D charges?

Fraud Checklist

The EFA has emphasised that the personal responsibilities of the Accounting Officer include the prevention of loss through fraud and irregularity. The Accounting Officer can delegate the work, but not the responsibility.

The EFA have published an anti-fraud checklist. This



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will help academy trust governors, accounting officers and heads of finance review their arrangements for preventing, detecting and dealing with fraud should it occur.

<https://www.gov.uk/government/publications/anti-fraud-checklist-academy-trusts>

School Business Manager Primary Cluster Grant 2014-15

Following a 2013 review of efficiency in schools, the DFE have concluded that a key characteristic of the most efficient schools is that they employ, or have access to, a skilled school business manager. According to the National College, only 40% of state-funded primary schools in England currently have access to an SBM while over 90% of secondary schools do.

The Department for Education has committed to offering a **School Business Manager Primary Cluster Grant** to enable clusters of primary schools to take on a SBM to support the entire group. The grant would last for one year, to contribute towards the initial recruitment costs, but would then be expected to become self-sustaining as the schools start to reap the benefits of that expertise.

To find out more, please email sbm.grant@education.gsi.gov.uk to join the mailing list for updates.

Performance related pay

The first performance related pay (PRP) increases for academy schools will be made from September 2014. Mr Gove's letter to schools advised: "The purpose of the pay reforms is to give schools the autonomy to attract, recruit and reward the teachers that they need. It is for each school to decide, within the law, on the right pay policy for their local circumstances...."

It is up to each school to decide how best to implement new pay arrangements – and each school must make the link between pay and performance clear. The DfE have published guidance on this issue as the introduction of PRP will bring with it risks and challenges that should be considered when implementing a formal policy.

Factors schools could consider when assessing teachers' performance include:

- impact on pupil progress
 - impact on wider outcomes for pupils
 - contribution to improvements in other areas (eg pupils' behaviour or lesson planning)
 - professional and career development
- wider contribution to the work of the school, for instance their involvement in school business outside the classroom

Schools could consider evidence from a range of sources, including self-assessment, lesson observations, and the views of other teachers and of parents and pupils. Wherever possible, use fact based evidence as it is likely to withstand scrutiny far better than personal opinion and ensure you apply the same rules to all staff. If you would like advice on this matter, please contact your advisor.

Key dates to remember in next 3 months

15 July 2014	EFA webinar on academies financial framework (11am)
31 July 2014	Budget forecast return due in
31 August 2014	End of Financial Year
September 2014	EFA issue desktop valuations of land and buildings for academies opened between April 2013 to March 2014
1 September 2014	2014 Academies Financial Handbook comes into effect
30 September 2014	Teachers Pension auditor certificates

- Check the Business Cycle Wall Planner issued by EFA
- Have you received your log in details to submit EFA information via Deloitte online their website? Contact:- returnssubmissionsteam@deloitte.co.uk



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Tips for a pain free audit!

The purpose of a statutory audit is to provide an independent opinion on the truth and fairness of the financial statements and whether they have been properly prepared in accordance with UK GAAP, Companies Act and the Academies Accounts Direction. An audit involves obtaining evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, other irregularity or error; and that you meet all statutory requirements. It also provides a base for the provision of advice to improve efficiency, identify weaknesses and recommend improvements.

Scenarios which lead to issues

Not being ready: It's more efficient to start and finish an audit test rather than having to follow up later, so try to ensure you're ready. If something is outstanding, raise it early so it can be rectified.

Key people are not available to answer

questions: Timetable the audit into your calendar; tell your staff, and expect to be asked questions; your auditors will definitely need to speak to the finance manager and probably to some Finance/Audit committee Governors and the accounting officer.

Financial records aren't properly maintained:

Your auditor will require a bank reconciliation that reconciles. If audit testing identifies problems, time will be spent completing bank reconciliations, extending audit samples, and working out why there were problems; so try to ensure financial records are maintained and up-to-date.

Poor filing systems: If you're not able to locate the right paperwork, your auditor will need to extend the audit sample. Prepare an audit pack with all relevant documents, appropriate schedules and reconciliations. File documents in sections (e.g. fixed assets, debtors, bank, creditors etc) and ensure filing is complete and in order (if in doubt, hold on to it!).

Figures not checked: Errors or irregularities are likely to come to light and cause delays. Perhaps an accrual was reversed to the incorrect account, wages were not reconciled or income classified inconsistently. Perform reasonableness checks on all figures and ensure key figures agree with documentation (e.g. income agrees to grant letters).

The accounts are complete but the Trustees' report is not: Completing the Trustees' report early will aid your auditors' understanding of activities they may not otherwise be aware of, such as a restricted grant, which could necessitate a revision to the accounts.

Not highlighting potential problems at the start:

If you know there's a problem, tell your auditors immediately so time isn't wasted. It takes longer to revisit issues at the end of the audit than deal with them as they arise.

Following these suggestions will ensure your audit runs smoothly and if you need further support, please discuss with your advisor who will be able to help.

Contact us

To discuss your Academy accounting needs with our specialist teams, please contact your regional member firm by visiting: www.mha-uk.co.uk/our-members or email: info@mha-uk.com