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Summer 2020

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MHA allows clients to benefit from our in depth sector knowledge, which adds value to the specialist services that we can provide in accountancy, audit, tax, regulatory and expert business advice. Education is a key sector for MHA.

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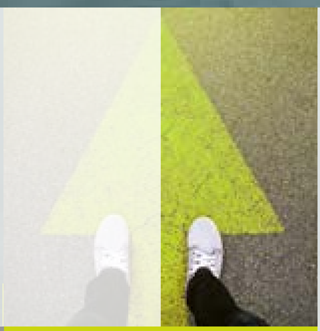
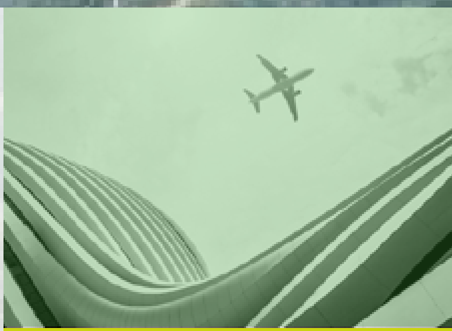
Offices nationwide



International Reach

Member firms in 145 territories



Independent accountancy

Combined turnover of

£143m

10th

Largest network in the world by combined revenue

Combined member firm revenues

Welcome to our regular newsletter for Academies and Free Schools

Welcome to our latest edition of Academy Advisor. To say it has been a challenging time for schools, is probably an understatement. Hot on the heels of having to fund a 7%+ increase in Teachers pension employers' contributions, schools are now having to contend with Covid-19. On the whole, we have seen that schools have acted swiftly and are thinking creatively to manage the added logistical and financial stresses.

The events of recent weeks are unprecedented. Many businesses went into lockdown and either shut entirely or worked on a virtual basis only and most schools shut their doors to all but the children of essential workers or those who are vulnerable. Some have set up an almost total virtual school operation to support home learning, while others are using various online platforms to set and receive work. A number of academy trusts are also collaborating with other schools to improve the quality of home learning provision.

As we head towards the end of the summer term, plans for the autumn term are still far from clear but implementing protective measures and managing staff and pupil concerns are likely to be top of the agenda.

For School Business Managers, preparing for audit in lockdown poses other challenges, as does getting to grips with the updated Academies Accounts Direction (AAD) and the latest Academies Financial Handbook (AFH). To help you prepare, our 2020 series of academy workshops were delivered as online webinars, which you are welcome to download free of charge from our website (please see page 17 for details).

We have highlighted a number of important updates throughout the newsletter that you should be aware of and if anything is unclear or if you need further advice and support, please do not hesitate to get in touch with your local office.

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Whats inside ....

Academy Accounts Direction 2019-2020

The latest AAD was issued by the ESFA on 15th June. It covers the format of accounts, including Trustees' Report applicable to all academies with a year / period end to 31st August 2020. The main changes are summarised below, with reference to the relevant sections in the AAD.

Key points:

- You will need to submit statutory, audited accounts to ESFA by 31 December with the audit findings (the management letter), using the online submission form. Failure to meet the deadline could lead to a Financial Notice to Improve (FNtI)
- There is no change in submission date (as at 14 July 2020), but this will be kept under review.

1. Information Point

The new AAD highlights a link to the ESFA good practice checklist, to help trusts prepare for their external audit (page 22: 4.1.5). The checklist is a tool to assist finance teams in the preparation of working papers that support the Trustees' Report and accounts. It comprises a Word schedule of 79 points, covering financial and other information required to be prepared or collated to support the information included in the statutory accounts.

2. Disclosure amendments

5.1.23 – Identify legal costs in the notes to the financial statement

The AAD provides guidance on the analysis required for educational and support expenditure costs. Legal costs must now be shown separately, and these would, for example, relate to where an opinion has been sought from legal professionals and covers those costs associated with the conversion or transfer of schools, or advice on education matters.

5.3.2 – Analysis of changes in net debt cashflow statement notes

The cashflow note (see page 134 of AAD) would show cash and cash equivalents less net debt (e.g. borrowings such as SALIX loan) movements between 01 September 2019 and 31 August 2020

7.1.3 and 7.1.9 State in MAT note for Funds analysis by Academy school if fund balances are zero
"Fund balances for each academy at 31 August 2020 and 31 August 2019 were zero, hence a breakdown by academy school is not included in these accounts"

Update Teachers' Pension Scheme note for latest actuarial valuation:
The Department for Education published the valuation report on 05 March 2019 relating to the actuarial valuation carried out as at 31 March 2016. The wording of the note is updated from that used in the 31 August 2019 accounts (see page 135 and 136 of the AAD)

3. Requirements

3.1.12 - NEW statutory elements of Trustees' Report:

If the trust has > 250 employees, include description of engagement with employees (see page 90)

Action taken in period:

- Providing information on matters of concern to employees;
- Consulting regularly so views considered in decision making;
- Encouraging involvement in performance;
- Awareness of factors affecting performance of organisation;
- Policies in respect disabled persons (applications, training, career development, promotion)

If the trust meets the definition of "large" (Companies Act 2006), include a description of engagement with suppliers, customers and others in a business relationship with the Trust such as beneficiaries, funders and wider community (see page 90)

"Large" is defined as meeting two or more criteria in two consecutive financial years:

- Gross annual income > £36m
- Gross (total) assets > £18m
- > 250 employees

If the trust meets the definition of "large", include Statement describing how Trustees have promoted the success of the company (to achieve its charitable objects) - see page 92

Trustees/directors should have regard to:

1. Likely consequences of actions in long term;
2. Interests of employees;
3. Need to foster relationships with suppliers, others;
4. Impact of operations on community & environment;
5. Reputation for high standards of conduct;
6. Need to act fairly between members

3.1.25 – NEW statutory element of Trustees' Report: Streamlined energy and carbon reporting

Applies to large companies only:
AND if those large companies consume (in the UK) > 40,000 kWh of energy in a reporting period.

If the Academy Trusts meet the criteria, they must publish details in the Trustees' Report, and ESFA encourage those Trusts to publish the energy and carbon disclosures in the accounts on their website before 31 March each year (i.e. by 31 March 2021, relating to 31 August 2020).

This applies to accounting periods starting on or after 1 April 2019, so for Academies, the first year for reporting is 31 August 2020.

The expectation is that Academy Trusts should make a fair attempt to comply!

If the Trust meets the definition of large, but does not consume 40,000 kWh of energy in the relevant period, they are deemed a "low" energy user, and exempt from disclosures in the Trustees' Report, but will need to include statement to that effect.

Any Academy not required to disclose this energy reporting in the Trustees' Report can report on a voluntary basis on their website.

Why this is now required:

This new requirement is due to the 2018 Regulations for policy on Streamlined Energy and Carbon Reporting (SECR).

- To increase awareness of energy costs within organisations;
- Provide them with data to inform adoption of energy efficiency measures and;
- To help them to reduce their impact on climate change

What disclosures are required:

- annual UK energy use (in kWh), for gas, purchased electricity and transport fuel and associated greenhouse gas emissions (in tonnes of carbon dioxide equivalent (CO_2e))
- an emissions intensity ratio chosen by the academy trust. (Intensity ratios compare emissions data with an appropriate business metric or financial indicator, such as pupil numbers, to allow comparison over time or with other organisations
- the methodologies used to calculate the required information
- a narrative of measures taken to improve energy efficiency in the period of the report. If no measures have been taken, this should be stated;
- In future years, the prior year equivalent figures are also required to be disclosed for comparison, but this is not mandatory in the first year (31 August 2020).

This information should only be included for subsidiaries if they would, individually, be subject to the reporting regulations.

In order to obtain and collate this information, you may engage a specialist to help, or you can calculate the information yourself:

Annual UK energy use (in kWh)

- Use verifiable data & consider obtaining meter data or using invoices or annual statements from suppliers;
- Where verifiable data is not available, estimate data by using data from comparable time period, calculating figures using pro-rata extrapolation or benchmarking to proxy the energy consumption of one site to a similar site.

Greenhouse gas emissions (in tonnes of carbon dioxide equivalent)
Carbon emissions need to be converted to 'activity data' eg

- distance travelled
- litres of fuel used
- tonnes of waste disposed

The Government has produced conversion factors (spreadsheets), which provide the values to be used for conversions, and step by step guidance on how to use them.
www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020

An emissions intensity ratio
ESFA recommends, for consistency across the sector, Trusts use tonnes of CO_2e per pupil, with pupil numbers based on the Autumn Census data. The same ratio should be used each year for comparability.

Methodologies used to calculate the required information:
Example given in ESFA guidance –

Quantification and reporting methodology
We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement
The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per pupil, the recommended ratio for the sector.

Narrative of measures taken to improve energy efficiency in the period of the report.
Example given in ESFA guidance –

We have installed smart meters across all sites and increased video conferencing technology for staff meetings, to reduce the need for travel between sites.

Disclosure in Trustees' Report (see page 96 of AAD)
Refer to ESFA Guidance for a worked example based on:

The academy trust has 3 academies, all with their own boilers which are gas fuelled and electricity is purchased. The academy trust owns 2 diesel-powered mini-buses and has approximately 20 members of staff who claim business mileage.

Need to categorise each type of energy used

Extract from ESFA guidance calculations:

Energy source	Consumption	Scope	Emissions calculation
Gas – total kWh (kilowatt-hours) used for the year taken from gas bills for each academy within the trust	170,345 kWh (gross CV (calorific value))	Scope 1	170,345 kWh * 0.18387 (2020 fuels, natural gas conversion factor gross CV to kg Co2e) = 31,321 kgCO2e = 31.32 tCO2e

Scope 1: emissions in metric tonnes CO2e

Gas consumption	31.32
Owned transport – mini-buses	4.35
Total Scope 1	35.67

ESFA have published separate good practice guidance, which is available here:
www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/streamlined-energy-and-carbon-reporting

3.2.11 – NEW requirement to explain how their audit arrangements are affected by newly revised FRC Ethical Standard, if applicable

Governance section of Trustees' Report:

Risk and Control Framework
include description of delivery of internal scrutiny function (this is the same requirement as prior years), and, where applicable, how affected by revised Ethical Standard for auditors.

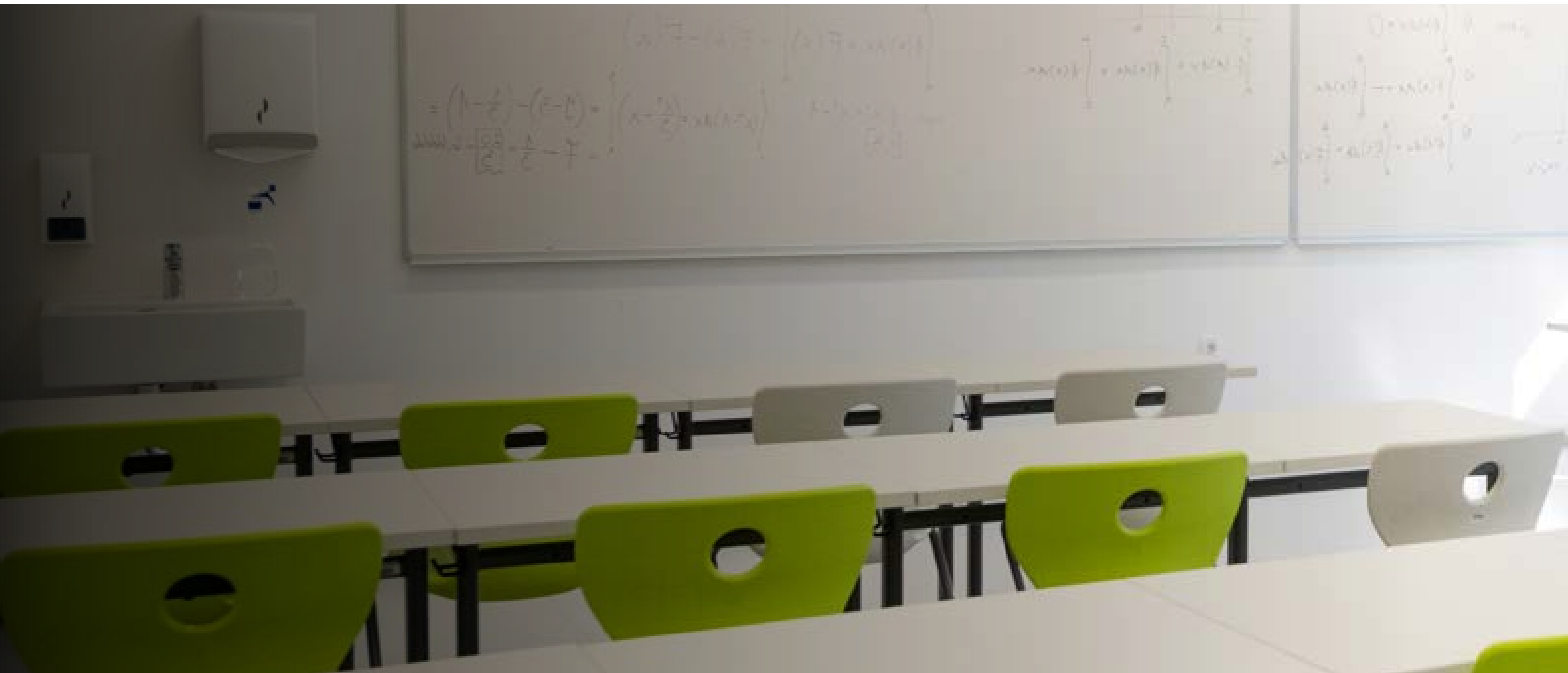
See page 102: "a firm providing external audit to an entity shall not also provide internal audit services to it, subject to transitional arrangements which permit existing audit engagements at 15 March 2020 to conclude".

For most Trusts, changes will apply from 01 September 2020 and Trusts will need to review "internal scrutiny" arrangements from that date.

Choices remain:

- Employ internal auditor
- Buy –in internal audit service
- Trustee carries out programme of internal checks
- CFO from another Trust carries out peer review

All Trusts which have used their external auditor previously, must now consider new arrangements for the period starting after 01 September 2020. Please see our article on Internal Scrutiny later in this newsletter.



4. Clarifications

State monetary value, if known, relating to instances of irregularity, impropriety or non-compliance recorded in the Accounting Officer's statement on regularity, propriety and compliance (3.3.2 / Annex B 2.18), and in the Reporting Accountant's Report on regularity (4.2.1 /Annex B 3.12).

7.2.2 Account for **transfers of activities to a wholly-owned subsidiary as a merger** (eg transfer hiring of swimming pool to trading subsidiary)

A reminder that consolidated accounts (academy + subsidiary) are required where income >£1m , or exceed small company thresholds.

7.2.4 **Two or more subsidiaries may only be excluded f**rom consolidation if they are not material when taken together, to give a true and fair view.

Governance Statement in Trustees' Report to include confirmation if trustees have reviewed and taken into account the **guidance in the Governance Handbook and Competency Framework for Governance**.
See page 99 AAD

These are not mandatory guidance for Trustees, but ESFA encourage trustees to look at these documents **Annex B 2.26 page 151**
Accounting Officer is required to sign off Regularity Statement up to the point of trust closure, so ensure a new AO is appointed on an interim/ short term basis if required, and that sufficient evidence is maintained for new AO to be satisfied they can support signing off the statement.

Alcohol
Whilst the debate may have continued, ESFA have not changed their view: Page 147
Irregularity within Academy Accounts includes:

- any excessive gifts including those purchased from unrestricted funds
- alcohol purchased from trust funds bought for consumption outside of religious services

All Trusts should be aware that ESFA deem any alcohol purchases (except for religious services) to be irregular expenditure, no matter which is fund used for the purchase.

If your Trust runs a community bar, we suggest you check the Articles of Association (for authorisation of such expenditure) and confirm the treatment of alcohol purchases with ESFA.

Apart from the above changes, the format and disclosures are unchanged from 2019

The Academy Accounts Direction
can be downloaded here:

www.gov.uk/guidance/academies-accounts-direction

If you have any questions or need further advice, please get in touch with your local office.

Academies Financial Handbook

The latest Academies Financial Handbook was published 23rd June 2020 by the ESFA and changes come into force from 1st September 2020.

The AFH applies to all trusts and is updated annually to bring in new rules or clarify previous guidance and the Chief Finance Officer, Accounting Officer and Trustees are all expected to be fully aware of its content.

Trusts will need to be aware of the distinction between the MUST's and guidance stated as 'Should'. A 'must', by its nature, must be implemented, whereas a 'should' is recommended as best practice.

Pages 60-66 lists all of the MUST's, which are obligatory and are a requirement of your funding agreement. As part of the audit process, auditors will go through all of these MUSTS with the Accounting Office as any non-compliance with the MUSTs may have an impact on the Regularity report required by Auditors, as well as the Accounting Officer's Regularity Statement.

There are some key points Trustees need to be aware of:

- The Board must meet at least 3 times per year
- Management accounts must be shared with the Chair monthly and with other trustees 6 times each year
- Notify ESFA within 14 days if there is a deficit revenue budget which is not covered by unspent funds brought forward
- Notify DfE on the 'Getting Information about Schools' (GIAS) website within 14 days of any changes to members, trustees, local governors, chairs of local governors, accounting officers or chief financial officers

Reminders:

- There are pages related to Delegates Authorities – where you can operate freely within certain limits, but where there are other limits, above which you must seek prior approval from the ESFA, for example for non-statutory / non-contractual payments over £50k.
- All contracts and other agreements with related parties should be reported to ESFA in advance (**5.40**)
- You must notify ESFA as soon as possible in cases of fraud, theft, irregularity (over £5k individually or over £5k cumulatively in any financial year (**6.11**)

There is a generic checklist for education providers of indicators for potential fraud, which will help to ensure you have systems and procedures in place to protect your Trust, which can be found here:

www.gov.uk/guidance/academies-guide-to-reducing-any-risk-of-financial-irregularities

Accounting Officer Regularity Statement

The Accounting Officer and the Auditor are required to sign off a regularity statement as part of the audited accounts, which is to confirm that there have not been any instances of fraud, irregularity or non-compliance.

The Accounting Officer should compile a file of evidence that the AFH has been complied with throughout the year, (such as copies of where the management accounts have been shared monthly with the Chair and 6 times over the course of the year with other Trustees) in order to make the regularity statement, which is especially important where there may be any change in Accounting Officer after the end of August.

The main change this year, is that if there has been any instances of non-compliance, then the £ monetary value now also needs to be disclosed.

Examples of non-compliance would include:

- Use public funds for personal benefit
- Lack appropriate authorisation
- Inappropriate procurement process
- Inappropriate authorisation / Irregular - not for purposes intended
- RPT prior approval from ESFA not obtained

Going concern **1.14, 2.5, 2.8**

The ESFA have categorically stated that Trustees **must** take ownership of Trust's financial sustainability and Trust's ability to operate as a going concern.

Trustees must consider what information they need in order to manage that responsibility:

- Ask the right questions
- Offer appropriate challenge to data
- Understand reserve levels
- Include longer term financial planning as integral part of budget-monitoring cycle
- Assess the future viability of the academy trust in greater depth – at least 3 to 5 years ahead

Devise plans to address forecast issues:

- cost rationalisation
- diversifying income streams
- growing/declining pupil numbers
- collaboration with other schools or academy trusts
- restructures & postponement of capital plans

In the accounts each year in the Trustees report, Trustees must make a statement on the ability of the Trust to operate on a going concern basis., which means confirming that the trust is able to settle debts as they fall due, within the next twelve months from signing the accounts, i.e. to December 2021.

Within the statement, you will need to include disclosure of any financial uncertainties facing the academy and there will be additional disclosure required for the impacts of COVID-19 on operations and financial forecasts.

Further guidance is available here:
www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/operating-an-academy-trust-as-a-going-concern

New:

Members **1.4 – page 10**

Trusts MUST have 3 members, but ideally 5 and the AFH now states that Members MUST not be employees or fill unpaid staff roles on a voluntary basis, effective from 01 March 2021. For example, if the Headteacher is a member, you will need to review the matter and refer to your articles, potentially your solicitors and your auditors about your governance structure. The ESFA want members to be totally independent of Trustees so they are more able to hold the Board of Trustees to account.

Members MUST be kept informed about Trust business so they can exercise effective governance and step in if they feel it is necessary. Part of that will include ensuring members are provided with the audited accounts.

Trust may consider the changes in the AFH as an opportunity to review their governance arrangements for the future, as ESFA are clearly focussing on this aspect of Trusts.

Clerk to the Board of Trustees **1.40 – page 17**

Academies MUST have a Clerk, who is separate from Trustees, the principal and the CEO . They need to provide independent and expert advice on law and regulations compliance.

The DfE have produced Clerking Competency Framework that Clerks should be familiar with to understand what their role and duties are.

Register of Interests **5.46 – page 45**

Academy Trusts MUST maintain a Register of Interests and ensure it is kept up to date at all times - do not wait for year end!

It should include relevant business & pecuniary interests of members, trustees, local governors and senior employees, such as members of the senior leadership team or key management personnel.

(**5.44**) It should record the name, nature of business and the interest, as well as the date started of all: Directorships, partnerships or employment with business as well as Trusteeships and governorships at other educational and charitable organisations.

Disclosure Reminder (AAD)

Related Party Transactions:

You must disclose any transactions with connected parties, including Key Management Personnel. You will need to disclose: names, details of the relationship and transactions, the amounts (including any amounts outstanding at year end) and the terms and conditions. You should also disclose any other elements deemed necessary and indicate how the transaction was managed, along with the terms and conditions of any related party transaction (not just "at arm's length").

From 1st April 2019, prior approval from ESFA is required for any related party contract that is greater in value that £20,000 or where the contracts are over £20,000 cumulatively in the same year to 31 August.

The principle of 'At cost' still applies and must be supported by statement of assurance by the provider / supplier.

Executive Team **1.26 and 1.36 - page 14 and 16**
The Accounting Officer (AO) and Chief Finance Officer (CFO) should be employees of the Trust and going forward, Trusts MUST obtain prior ESFA approval if appointing AO or CFO who will not be an employee. It does mean that if any Trust has AO's or CFO's who are consultants, who effectively charge for their time via invoice, or are paid by another organisation/ educational establishment, this should be reviewed as retrospective approval from the ESFA may be required if that arrangement is to continue.

Trustees MUST also assess whether the CFO should have relevant qualifications. Larger Trusts with more than 3,000 pupils are asked to consider whether a qualification from one of the professional bodies, such as the Institute of Chartered Accountants in England & Wales(ICAEW) or others such as ACCA, CIMA, CIPFA is required when appointing a CFO, but all Trusts must record the assessment in the minutes of a Trustee Board Meeting to demonstrate compliance with this MUST.

Chief Executive Officer (CFO) **1.38 - page 16**
The CFO and finance staff MUST be appropriately qualified and/or experienced, which is a judgement to be made by Trustees.

The AFH now also specify that CFOs should maintain continuing professional development (CPD) and undertake relevant ongoing training. Trusts should consider using Apprenticeship Levy funds for the training and development of CFO's and finance staff as there are relevant apprenticeships available at Level 4 and 6 for CFOs.

Control Framework
The following points relate to financial risks and particular points to improve on or provide greater levels of information:

2.7 - page 17: MUST maintain a fixed asset register
2.12 – page 19: Budget management MUST review pupil number estimates in revenue projections on a termly basis
2.13 – page 19: Encourage undertaking ICFP to deliver best curriculum with funding available
2.24 – page 21: MUST manage cash position and MUST avoid overdrawn bank account. When producing monthly management accounts, trusts need to avoid gong overdrawn.
2.44 - page 25: MUST agree whistleblowing procedure and publish this on website. There should be at least one trustee and one staff member to whom concerns can be reported to
2.35 – page 24: MUST not use funds to purchase alcohol for consumption, except where used in religious services. It does not expand any further or clarify if for example "consumption" could be interpreted for science lessons.
2.38 - page 24: Trusts MUST manage risks and MUST maintain risk register. The Trustee Board MUST have responsibility for risk management. Other committees may provide input, but it emphasises that the Trust Board itself MUST review the risk register at least annually.

Risks cover full operations and activities and the minutes must clearly show that risk management is being discussed collectively and making decisions collectively about risk management and the review of the risk register. Risk does not just cover financial matters alone.

Further information can be found in the ESFA guide to risk management which is available here:
www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-risk-management

3.6 to 3.8 - page 29: The Audit Committee is now renamed Audit & Risk Committee.

If you have trust income over £50m you MUST have dedicated Audit and Risk committee from 1st September 2020. If trust income is below £50m then you may combine committees.

The committee must meet at least 3 times per year and MUST direct programme of internal scrutiny and provide a report to the Board on the financial and non-financial control framework.

6.8 - page 52: All Trusts MUST complete the School Resource Management Self Assessment Tool (SRMSAT). There are 6 areas of resource management: governance, strategy, budget setting, staffing, value for money and protecting public funds. Trusts will need to submit their self assessment tool, which consists of a checklist and a dashboard, using the online form to ESFA. The annual deadline (usually November) has not yet been published. www.gov.uk/government/publications/school-resource-management-self-assessment-tool

Internal Scrutiny

3.1 - page 28: Clarifies that internal scrutiny covers financial & non-financial controls

3.17 – page 31: The options continue to include: employ an in-house auditor, undertake a peer review, or an un-paid trustee may carry out the work, or you can buy in internal audit services from a firm, other organisation or individual with professional indemnity insurance. Trusts can combine any of the 4 options for delivery, but the key point is that whoever carries it out should be independent, suitably qualified and experienced.

3.20 - page 31: The AFH specifically states that the firm providing external audit shall not also provide internal audit services to it. The ESFA considers that the term "internal scrutiny" should be viewed in the same way as "internal audit", which removes the option for supplemental audit procedures.

3.18 page 31: Trusts can use other individuals and organisations where specialist non-financial knowledge required, for example IT or HR specialists.

This is applicable from 1st September as transitional arrangements for the year to August 2020 were allowed to continue where trusts were using their external auditor for internal scrutiny.

3.23 - page 31: Trusts MUST submit an annual summary report to ESFA by 31 December each year on internal scrutiny covering areas reviewed, key findings, recommendations and conclusions.

They MUST also provide ESFA with any of the individual internal scrutiny reports if requested.

Further guidance and an example annual report template is available here:
www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/internal-scrutiny-in-academy-trusts

Please see our article on Internal Scrutiny for further information on this matter.

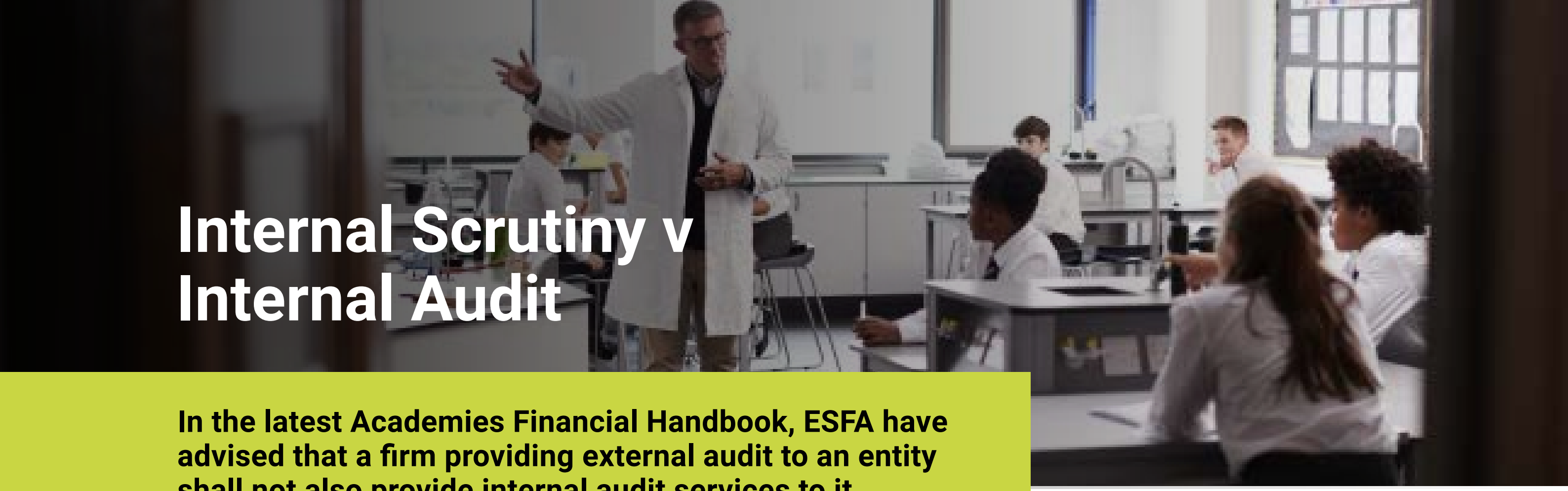
Audit & Risk Committee

4.17 - page 35: An effective job description for the Audit Committee has been provided in this latest AFH and reiterates 5 MUSTS:

- review external auditor's plan each year
- review annual report and accounts
- review auditor's findings and actions taken by the trust's managers in response to those findings
- assess effectiveness & resources of external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering
- produce annual report of committee's conclusions for Board & Members, including recommendations on reappointment or dismissal or retendering of the external auditor, & their remuneration.

In summary, the Academies Financial Handbook provides detailed guidance on responsibilities & obligations of trustees and the AO and CFO. There is lots of guidance and reference information in the full document, but importantly the AFH is there to help Trustees in their role in providing advice, leadership & direction, emphasising their responsibilities. It sets out clearly the ESFA expectations for accountability and transparency.

The Academies Financial Handbook **can be downloaded here:**
www.gov.uk/guidance/academies-financial-handbook
If you have any questions or need further advice, please get in touch



Internal Scrutiny v Internal Audit

In the latest Academies Financial Handbook, ESFA have advised that a firm providing external audit to an entity shall not also provide internal audit services to it.

In the latest Academies Financial Handbook, ESFA have stated at clause 3.20:

Trusts should note that the Financial Reporting Council's revised Ethical Standard states that a firm providing external audit to an entity shall not also provide internal audit services to it. The Standard includes transitional arrangements which permit existing audit engagements at 15 March 2020 to conclude. In order to minimise threats to objectivity and independence in the internal scrutiny of academy trusts, ESFA considers that the term internal scrutiny should be viewed in the same way as internal audit.

Internal Scrutiny is all part of the control framework obligations to manage risks. The Handbook requires checks to be carried out to ensure your systems are effective and compliant and covers both financial and non-financial controls. The overall responsibility rests with the Trustee Board, who **MUST** review the risk register at least annually and ensure there is evidence of that review.

Responsibility is usually delegated to the Audit Committee, which has been renamed the Audit & Risk Committee. Where trusts have an income over £50m, they **MUST** have a dedicated Audit & Risk Committee, whereas those with income under £50m are able to combine committees.

The Committee must meet at least 3 times per year and **MUST** direct the programme of internal scrutiny. They must also provide an annual summary report of the areas reviewed, key findings, recommendations and conclusions to the Board, which should also be filed with ESFA by 31 December 2020 using the online portal that is used to file the annual accounts.

The options include: Employ and in-house auditor, undertake a peer review or an unpaid trustee may carry out the work, or you can buy in internal audit services from a firm, other organisation or individual with professional indemnity insurance. Trusts can combine any of the 4 options for delivery, but the key point is that whoever carries it out should be independent, suitably qualified and experienced.

Internal scrutiny requirements feed into the reporting requirements. Within the Trustees' Report, which is part of the statutory accounts, Trustees need to explain in the Governance Statement how they have carried out internal scrutiny and what financial controls they have in place. Each Trustees' Report needs to be specific to their individual circumstances. There is a template in the AAD, but it does need to be amended to reflect your circumstances in order to explain what internal financial controls you have in place, the programme of work, what has been done and by whom, what remedial action has been taken and how effective you think the controls have been during the year.

The Trustees' Governance statement links through to the Accounting Officer's Statement on Regularity which is also to confirm there have been no failings in financial controls during the course of the year impacting on regularity.

Key Change:
3.2.11 of AFH NEW requirement to explain how audit arrangements are affected by the revised Financial Reporting Council (FRC) Ethical Standard, if applicable

For most Trusts, changes will apply from 01 September 2020 as transitional arrangements allow for the conclusion of work

"a firm providing external audit to an entity shall not also provide internal audit services to it, subject to transitional arrangements which permit existing audit engagements at 15 March 2020 to conclude".

Academy Trusts now need to consider their audit arrangements if this has been historically provided by your external auditor.

What is Internal Scrutiny

The Purpose of internal scrutiny is to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively. This should focus on:

- Suitability and level of compliance with financial and non-financial controls
- offering advice and insight to the board on how to address weaknesses in financial and non-financial controls
- Ensuring all categories of risk are identified, reported and managed

What does good Internal Scrutiny look like?

- Internal scrutiny must be independent and objective, timely, risk driven and regularly reported to the Audit and Risk Committee
- Internal Scrutiny should just not be about additional control testing or just focussed on financial controls
- Internal Scrutiny should be driven by Risk i.e. focussing on the things that may threaten the achievement of your objectives
- The Audit and Risk Committee should be setting or at least signing off the programme
- The programme should consider the entire system of internal control, risk management and governance environment, and not just financial controls
- There should be an agreed framework in place for planning, undertaking and reporting on the work

What could Internal Scrutiny cover?

- financial management and budgetary control
- management of expenditure
- management of income
- pupil premium
- cash and banking
- marketing and recruitment of students
- staff recruitment and retention
- risk management
- school trip management
- payroll and expenses
- safeguarding
- catering
- governance and reporting
- management of assets
- quality assurance
- Cyber security
- Use of mobile devices
- GDPR compliance

A risk-based internal scrutiny function provides independent assurance over the effectiveness of your internal control arrangements and focuses on the areas of (highest) risk to the Academy. It should provide independent advice and guidance to support the decision-making process and support the work of the Audit and Risk Committee and help strengthen risk management arrangements and support the Governance Statement.

Our approach to undertaking IS / IA work for the sector:
We use the Risk Register to drive the audit plan development. When we are developing the audit plan, we would use this as the starting point to identify the most appropriate areas to focus on, where we would be the most suitable assurance provider. We do not believe in checking every system and process during the year, we believe there is greater value in conducting a smaller number of audits each year, paying particular note to significant and high value / high risk areas, to provide the quality and depth of coverage.

This means not undertaking audits of 1 or 2 days as the volume of coverage you would be able to provide in that time is unlikely to provide the required level of assurance required that a particular system is operating effectively. Ideally coverage should be across the whole financial year, rather than two weeks over the summer as you would then benefit from assurance at each of the three audit committee meetings. As far as possible, internal scrutiny should focus on outcomes as well as processes, so looking at whether the systems and processes you have in place are helping you to meet your objectives and looking at whether key performance indicators are being met.
It is also crucial to have clear and transparent reporting arrangements with defined opinions so you can see what level of assurance is being provided by each individual audit and categories of recommendations that enables effective follow up of recommendations based on the level and significance of any identified weaknesses to ensure recommendations have been implemented.

Current & Future Arrangements

- For 2019/20 the current arrangements that are in place can remain and assurance reports are to be submitted in accordance with the agreed submission deadlines
- For 2020/21 where the appointed IS provider is the same as your External Auditors you will need to review your provision to ensure these functions are provided by different organisations
- Even where this is not the case, this may be an opportunity to review your current IS arrangements;
  - Are the arrangements providing an appropriate level of assurance?
  - Is the work focussed on the right areas?
  - Is it supporting your Audit and Risk Committee?

Considerations when selecting your approach

- What is our risk profile and what type of assurance do we need?
- Where are we currently receiving assurances?
- How do the various options fit with our Trust?
- Are we involving our Audit and Risk Committee in the decision-making process?
- What is the level of resources that we need to apply to provide the assurances we need?
- When do we need to have our providers in place by? (For assurance to be provided throughout the year, provision should be in place by December / Christmas at the latest).
- Have we considered opportunities for partnership / collaboration with other Trusts?

Reviewing the options available

- Employing an in-house internal auditor: The benefit of this approach is that it would provide a dedicated resource, but does it present value for money if not utilised fully across the year? By nature of the role, if the person is involved or working on other day to day management matters at the trust, it may compromise their independence and prohibit them providing independent assurance over those areas. This approach may suit a group of trusts
- a bought-in internal audit service from a firm: This approach benefits from truly independent assurance and can benefit from the wider sector knowledge and experience, but there is a higher cost associated than the options below
- the appointment of a non-employed trustee: A cost effective option, but does rely on single person / point of failure and may not provide the breadth of coverage
- a peer review by the chief financial officer from another Academy Trust: Ability to work on a reciprocal basis with another trust, but again, may not provide the breadth of coverage on non-financial areas.

The key point in relation to both the 3rd and 4th option here, is that the person doing the work must have internal audit experience, as per the AFH.

Please get in touch with your local office if you would like to discuss your options for internal scrutiny in more detail.

Covid-19: Financial Support for Education

School funding: exceptional costs associated with coronavirus (COVID-19).

Local authority-maintained schools (including pupil referral units) and academies (including free schools) will continue to receive their budgets for the coming year, as usual, regardless of any periods of partial or complete closure. Schools facing additional costs as a result of COVID-19 may be able to access funding to cover:

- **Increased premises related costs**, such as for utilities and resources needed to keep the school open, hygiene services and costs associated with keeping schools open for children of critical workers and vulnerable children outside of term time, over and above that which schools would normally face
- **Support for free school meals (FSM) for eligible children who are not attending school,** where those costs are not covered by the FSM national voucher scheme (such as costs incurred before the introduction of the national voucher scheme as well as costs associated with providing free meals to children for whom the national voucher scheme is inappropriate, such as those where there are no local participating supermarkets
- **Additional cleaning costs** over and above the cost of existing cleaning arrangements, such as a deep clean in response to suspected coronavirus (COVID-19) cases, or in line with Covid-19 guidance on the cleaning of non-healthcare settings

Schools will need to provide assurance that they are legitimate additional costs incurred due to Covid-19 and schools are expected to be able to identify this income and the related expenditure, when reporting their accounts.

Any costs not covered in the list above, that cannot be met by existing budgets can be queried by contacting: DFE.CoronavirusHelpline@education.gov.uk

Additional staffing costs:
Schools should try to minimise any additional staffing costs by adopting a rota system to cover school holidays if required (offering staff time off in lieu) and by working with the local authority or other schools within a multi academy trust to check where there may be support available. Any unavoidable additional staffing costs should be discussed with your Regional Schools Commissioner.

Funding Limits	
Mainstream schools	
250 pupils or fewer	£25,000
251 - 500 pupils	£30,000
501 - 1000 pupils	£50,000
Over 1000 pupils	£75,000
Special schools & alternative provision	
All schools	£50,000

The online form should be completed by 21 July 2020 for eligible exceptional costs incurred to the time of submission. Further claims will be possible in a subsequent claim window in the autumn and details regarding that process will be published later in the year.

The full guidance is available here:
www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-schools

Data Protection

In light of Covid-19 and the increase in staff working from home, what are the data protection considerations?

Working from Home
With many teachers working from home, it is important to ensure any personal data handled off site is processed in accordance with GDPR.

You should ensure that:

- your policies, procedures and guidance on data protection is updated and shared with all staff
- any devices used to process data are encrypted with a unique and complex password
- account locking procedures, in case of multiple failed login attempts are in place
- staff consider confidentiality when having an online conversation, using a screen or printing documents in a home working environment, accessible by family members or friends
- staff do not use personal email or messaging accounts for the storage or transmission of data
- cloud storage solutions are only accessible by those who are authorised
- staff take reasonable steps to avoid loss or theft of personal data, such as locking devices away when not in use
- staff are extra vigilant about opening web links and attachments in emails

Exam script exemption & access to teacher assessments
As many pupils will not be sitting exams this year, teachers will be conducting and submitting pupil assessments, which will be used to award grades. The ICO have confirmed that the exam scripts exemption will apply to the information used to award students' grades, which allows for longer response times for requests for access to pupil assessment information if they are received before the official results are announced. The timeframe for responding to these requests are either: within five months of receiving the request; or, within 40 days of announcing the exam results, whichever date is earliest.

Requests made after the results are announced need to be dealt with as a normal subject access request. However, the ICO understands there may be delays during the pandemic.

The Information Commissioner's Office (ICO) have created a hub with information to help organisations navigate data protection during this time:

Key Principles:
Only collect and use what's necessary – collecting data regarding the health of staff or pupils in order to help keep your school safe needs to be reasonable, fair and proportionate. You should set out how the extra personal information will keep your workplace safe and weather you could achieve the same result without collecting personal information.

Keep it to a minimum – personal health information such as Covid-19 symptoms, test results or risk profiles should only be collected in order to implement required safety measures, so you should regularly review how long that information needs to be kept, as it is unlikely to be appropriate for any permanent records.

Be clear, open and honest with staff about their data – tell people why you wish to use their personal information, who you will share the information with and what the implications of having this information will be. You can set out all of this information in a privacy notice.

Treat people fairly – make sure your approach is fair and proportionate if you are using the health information you collect to make decisions for staff or pupils.

Keep people's information secure
Even where staff and pupils are working from home, any personal data you hold must be kept securely and only held for as long as it is necessary.

Ensure staff can exercise their information rights – make sure staff and pupils are aware of their rights in relation to personal data, such as right of access or rectification.

If you have decided to implement symptom checking or testing, there are additional requirements you need to follow. These include identifying a lawful basis for using the information you collect and, if you are processing health data on a large scale, conducting a data protection impact assessment.

Dates for the diary

Description	Deadline
CT600 Corporation tax return filing	31 August 2020 (if required)
Budget forecast return 2020	29 September 2020
Audited End of Year Certificate (EOYC) for Teachers Pensions	30 September 2020
Land and buildings collection tool	Early November 2020
School Resource Management Self Assessment Tool (SRMSAT) checklist	Not yet published (14 Nov?)
Financial statements, auditor's management letter, accounts submission coversheet online	31 December 2020
Internal Scrutiny summary report	31 December 2020
2019 - 2020 Academies Accounts Return (AAR)	3rd week of January
Publish audited financial statements on website	31 January

The ESFA will publish the list of Trusts who do not submit two or more returns on time on GOV.UK
Throughout the Summer, ESFA are likely issue further updates on guidance or submission dates, so do refer to their website, and check the Academy Annual Calendar when it is published in August.

2020 Academy Webinars

In response to Covid-19 and social distancing requirements, our member firm, MHA Macintyre Hudson's 2020 series of workshops have been delivered as online webinars and are now available to download free of charge.

As this is the first year we have hosted these events as online webinars, if you have attended or viewed any of these workshops, we would be very grateful if you could spare a few moments to complete our short online feedback survey here.

If you have any questions or need further advice on any of the subjects covered, please do not hesitate to contact your regular advisor.

Internal Audit
Academies Financial Handbook
Preparing for Audit
Academy Accounts Direction
VAT Issues for Academy Trusts
VAT Issues for VAT Registered Academy Trusts

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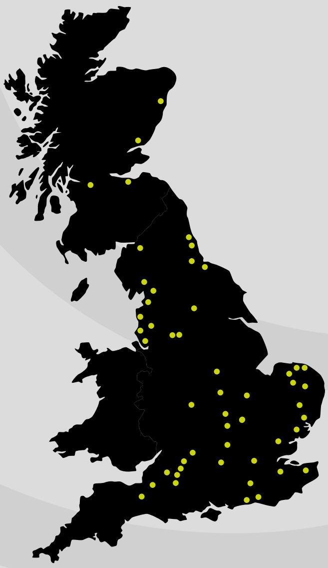

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