ACADEMY NEWSLETTER 11

PREPARATION FOR AUDIT

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New Accounts Direction

The following section summarises changes in the new Accounts Direction which will impact the preparation of your financial statements. Some changes will also have implications for the information requested by your auditors.

1. Governance Statement – Review of Governance:

A section in the Governance Statement (4.2.4 in the Accounts Direction) re-emphasises that academy trusts must carry out a governance review annually as a matter of best practice.

The relevant section in the Governance Statement should:

a. Describe what the academy has done to review the effectiveness of the board
b. Indicate when the next self-evaluation or external review of governance is planned
c. Describe the outcomes, actions and impact of the most recent review
d. If no review has been carried out, indicate when the trust intends to hold a review
e. Describe any particular challenges that have arisen in the board's work during the year

2. Governance Statement – New Value for Money Section

The trust's Value for Money statement will now be included as part of the Governance Statement (4.2.5 in the Accounts Direction). Separate Value for Money statements, as previously published by all academy trusts, are no longer required as of this year.

The Value for Money section in the Governance Statement will comprise two parts:

a. A standard declaration acknowledging the accounting officer's responsibility for value for money (see Coketown accounts for wording)
b. Examples illustrating how the trust has demonstrated value for money during the year. The examples should be concise and focus on information most relevant to the trust, emphasising issues that had the greatest impact on the use of resources. Up to three brief examples will be enough, detailing the areas where the trust's activities have contributed to achieving value for money and the areas where the trust could do better

3. Financial Statements – Disclosure of Donations

Disclosure of donations should now be split between fixed asset donations and other donations. This appears in Note 3 'Voluntary Income'. See p42 of the Coketown example.

4. Financial Statements – Disclosure of Creditors

The disclosure of creditors due after one year is now illustrated in the Coketown model.

Creditors or deferred income due after one year might include:

a. Loans from the EFA under the Conditions Improvement Fund which might be paid over a period of two or three years
b. Loans inherited from the local authority on conversion
c. Salix loans for energy-saving projects: these should be recognised as repayable grants at the amount received less any repayments made

The trust should ensure that adequate schedules of creditors, accruals and deferred income are available to support the balance sheet figures (per section 6.2.5 of the Accounts Direction).

5. Financial Statements – GAG carry-forward

For the purpose of calculating the GAG carry-forward, the list of funding streams included in GAG has been updated. The following funding streams are included:

- school budget share
- minimum funding guarantee
- education services grant
- allocation protection
- pre-16 high needs funding
- post-16 high needs funding

6. Financial Statements – Non-contractual severance payments

Individual disclosure of non-contractual severance payments must now be made on an individual basis regardless of value (in Note 10).
Confidentiality cannot be used as a reason not to make the disclosure but the person's name does not need to be included.

7. Financial Statements – Disclosure of Trustees' Remuneration

It has been clarified that disclosure of trustees' remuneration **does include employer pension contributions.**

8. Financial Statements – Multi Academy Trust GAG carry-over

It has been clarified that if a MAT's funding agreement applies the GAG carry over restriction at the overall level, rather than at the individual academy level, then the carry over note only needs to report at the overall trust level.

9. Financial Statements – New section on Connected Charities

A new section on Connected Charities has been introduced (8.3 in Accounts Direction)

'Connection' means:

- the charity is administered by or on behalf of the academy trust
- the charity is established for the general purposes of, or any special purpose of or in connection with, the academy trust

Where a connected charity is incorporated and meets the definition of a subsidiary, it will be consolidated into the academy trust's accounts in the usual way

Where a connected charity is not consolidated into the trust's accounts, various disclosures are necessary. Section 8.3 of the Accounts Direction gives details and recommends taking professional advice on the grounds that connected charities can be a complex area.

10. Financial Statements – Accounting for Buildings

The section of the Accounts Direction (8.7.5) has been updated and includes detailed guidance on how to disclose buildings according to the type of building and the terms under which it is occupied.

11. Financial Statements – Academy Combinations and Dissolutions

A new section (8.9) has been included on accounting for academy combinations and dissolutions. This covers in detail scenarios like an academy joining or leaving an existing Multi Academy Trust.

12. Financial Statements – Agency Arrangements

There is a new section (8.10) on accounting for agency arrangements.

An agency arrangement exists where funds received do not belong to the trust and the trust has no control over how they are spent, but only acts as an intermediary between the funder and the recipient.

An example would be 16-19 bursaries where the trust acts as a paying agent for the EFA in passing on the bursaries to the students.

School trip and catering income might also fall into the category of agency arrangements, depending upon individual circumstances.

Note 8.10 in the Accounts Direction gives further details and describes how agency arrangements should be treated in the financial statements.

13. Financial Statements – Risk Protection Arrangements

There is a new section (8.11) on accounting for risk protection arrangement.

Academies who have opted into the risk protection arrangement will have money deducted at source from their GAG funding.

In their financial statements, they will need to gross up the GAG figure for the amount deducted and show a corresponding amount as the RPA expense.

The new Accounts Direction is available in two versions:

- Academies Accounts Direction 2014 – 2015 (SORP 2005) must be used by all academies whose date of incorporation was BEFORE 1 JANUARY 2015.
- Academies Accounts Direction 2014 – 2015 (SORP 2015) must be used by all academies whose date of incorporation was ON OR AFTER 1 JANUARY 2015.

Note that early adoption of SORP 2015 is NOT PERMITTED. If your academy incorporated BEFORE 1 JANUARY 2015 you MUST use Academies Accounts Direction 2014 – 2015 (SORP 2005).

Both versions of the Accounts Direction can be accessed **here**