

The Board of Trustees  
Applecroft School  
Applecroft Road  
Welwyn Garden City  
Hertfordshire  
AL8 6JZ

Our ref: CN/DJ/HFAP439

13 November 2021

Dear Sirs

#### **AUDIT FINDINGS REPORT – APPLECROFT SCHOOL**

During the audit of the financial statements for the year ended 31 August 2021, we examined and sample tested the accounting systems which the academy trust has established to ensure that the accounting records are accurate, reliable and to ensure that its assets are safeguarded.

We enclose a report which details weaknesses in accounting and internal controls which came to light during the course of the audit.

The report includes explanations of how the weaknesses could affect the Trust and our recommendations on how to improve the Trust's systems – see appendix 1 - 4.

We have also included in this report a schedule showing the adjusting and unadjusted journals found during the audit – please see appendix 5.

Our report also includes details of recently released accounting standards and legislation which we would like to bring to your attention – see appendix 6. This section is for information only. Appendix 7 also lists all the “musts” that are included within the Academy Trust Handbook 2021.

We would like to take this opportunity to thank you and your staff for the assistance given to us during the course of the review.

If you wish to discuss any of the issues raised in the attached appendix in more detail, please do not hesitate to contact us.

Please note that the report has been prepared for the use of the Trustees only.

Yours faithfully



**AZETS AUDIT SERVICES**

Enc

## **CONTENTS**

- 1. Scope of the audit**
- 2. Independence issues**
- 3. Compliance with legal and regularity requirements**

**Audit recommendations:**

**Appendix 1 – Executive Summary**

**Appendix 2 - Issues identified in current year audit**

**Appendix 3 - Unresolved issues from previous years**

**Appendix 4 - Resolution of previous year's issues**

**Appendix 5 – Adjusting and un-adjusting journals**

**Appendix 6 – Emerging Issues for Information Only**

**Appendix 7 – Reminder of MUSTS as set out in the Academy Trust Handbook 2021**

## 1. Scope of the audit

Our audit was carried out in accordance with Auditing Standards and with reference to the legal and regulations requirements as detailed in Section 3 of this report. Our audit approach is designed to ensure that our tests are focused in those areas where in our judgement the risk of errors is high, and where the likely impact of such errors would be significant. More specifically, this involved:

- a. Subjecting systems, controls, transactions and balances to substantive testing on a sample basis;
- b. Revising our audit plan for any significant financial matters;
- c. Subjecting the financial statements to detailed analytical review, examining key ratios, trends and other statistics, obtaining and testing explanations for any unusual or unexpected variations;
- d. Reviewing minutes of meetings;
- e. Reviewing statutory financial statements where prepared by the Academy.

It must be appreciated that the matters dealt with in this report arose from the conduct of our normal audit procedures which are designed primarily to enable us to express an opinion on the financial statements of the Academy and do not necessarily involve an examination of all aspects of your internal control procedures. The responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with Trustees.

For the above reasons, our comments cannot be regarded as a full analysis of all the weaknesses or irregularities in the system of internal control or of all the financial trends or other performance data relevant to the Academy's which might be disclosed by a more detailed review nor, since we are not specifically required to search for fraud, can our audit be relied upon to disclose such matters. However, our audit was planned so that we would have reasonable expectation of detecting material misstatements of the financial statements.

This report has been prepared for the private use of the Trustees and its contents may not be disclosed to any third party without our express written consent. We assume no responsibility to any other person.

## 2. Independence issues

On 6 July 2021 we wrote to you identifying our perception of the principal threats to our objectivity and independence in carrying out this audit, along with the safeguards in place to mitigate those threats.

We have extended the cyclical inspection of our completed audit engagements that is performed for quality control purposes to include a random selection of audit engagements where non-audit services have been provided. This independent review will comment on whether the safeguards being implemented by the firm on all audit clients are sufficient to address the threats identified.

The independent review will also comment on whether audit work is being conducted in accordance with relevant standards and will ensure that sufficient audit work has been carried out, regardless of who prepared the original data.

The principal threats and safeguards are repeated below:

<b>Principal threats</b>	<b>Safeguards Implemented (and why they are considered effective)</b>
<p>We are responsible for the preparation of the financial statements in addition to carrying out the audit. The service will not involve initiating transactions.</p> <p>There is a threat that, as a firm, we are perceived as being too closely aligned with the views of management to provide an independent review and/or that members of the audit team could be reviewing their own accounting work.</p>	<p>Our staff only assist with the mechanical process of preparing the financial statements in statutory format from information given by your finance team and systems. Our staff make no decisions on behalf of the Trust's management team.</p>

We consider that the safeguards in place have been sufficient to ensure our independence and objectivity has not compromised during the course of the audit.

### **3. Compliance with Legal and Regulatory Requirements**

In undertaking our work, we reviewed compliance with the following legal and regulatory requirements:

- Relevant Academies Accounts Direction issued by the ESFA
- Applicable accounting standards (UK Generally Accepted Accounting Practice)
- Companies Act 2006
- Charities Statement of Recommended Practice (SORP) 2019

No matters came to our attention that suggested any significant breach of these requirements

## Appendix 1 – Executive Summary

From the review performed, the issues noted during the review are as documented below (Significant, Important, Limited, Advisory):

Issue	Recommendation	Management Response
<b>Purchase of alcohol</b>  During the year some alcohol was purchased totalling £48 for a staff celebration. Whilst the intention was that this would be reimbursed through the sale of tickets purchased by staff, the event was cancelled until 2022 and therefore no reimbursement has been made.	We recommend going forward alcohol is not purchased through the school's funds but is perhaps purchased via the PTA.	The Trustees understand how this situation has arisen and have worked with the Finance & Business Manager to ensure that all staff involved in organising events or processing financial transactions are aware of how this sort of thing should be handled in the future and are confident that this situation will not happen again.

No unresolved issues from previous years.

Reviewed by the Board of Trustees and signed on their behalf



Name: CHRIS HAILEY

14/12/21

Date:

## **Appendix 2**

### **Issues identified in current year audit**

#### **1. Purchase of alcohol**

##### **Observation**

During the year some alcohol was purchased totalling £48 for a staff celebration. Whilst the intention was that this would be reimbursed through the sale of tickets purchased by staff, the event was cancelled until 2022 and therefore no reimbursement has been made.

##### **Issue**

The Academies Financial Handbook states that the trust's funds must not be used to purchase alcohol therefore this is a breach of the Financial Handbook.

##### **Recommendation**

We recommend going forward alcohol is not purchased through the school's funds but is perhaps purchased via the PTA.

##### **Management response**

The Trustees understand how this situation has arisen and have worked with the Finance & Business Manager to ensure that all staff involved in organising events or processing financial transactions are aware of how this sort of thing should be handled in the future and are confident that this situation will not happen again.

## **Appendix 3**

### **Unresolved issues from previous years**

No issues raised in prior year

## **Appendix 4**

### **Resolution of previous year's issues**

No issues raised in prior year

## Appendix 5

### Correcting and uncorrected misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Details of items corrected following discussions with you and your team are as below:

#### Corrected misstatements

No	Detail	Income and Expenditure		Balance Sheet		Surplus effect
		Dr £'000	Cr £'000	Dr £'000	Cr £'000	£'000
	Surplus/(deficit) as presented for audit planning					16
	<b>Adjustments made by auditor:</b>					
1	Covid catch up premium adjustment		16	16		16
2	Depreciation adjustment		16	16		16
3	Pension FRS102 liability adjustment	450			450	(450)
4	Opening reserves adjustment		3	3		3
	Surplus/(deficit) per accounts					(399)

## Uncorrected misstatements

A number of non-trivial uncorrected misstatements were discovered during the course of our audit and these are summarised below.

No	Detail	Income and Expenditure		Balance Sheet		Surplus effect
		Dr £'000	Cr £'000	Dr £'000	Cr £'000	£'000
	Surplus/(deficit) per accounts					(399)
1	ESFA free school meals adjustment	5			5	(5)
2	Pupil premium adjustment	3			3	(3)
3	PE grant adjustment		9	9		9
4	Salix loan adjustment		3	3		3
	Potential Surplus/(deficit) per accounts					(395)

## **Appendix 6**

### **Emerging Issues for Information Only**

#### **Roles and responsibilities**

1. Suitability checks
2. Parents in governance structure
3. Safeguarding, health and safety and estates management
4. Senior executive leader as a Trustee
5. External reviews of governance
6. Senior executive leader leaving the Trust
7. Clerk
8. Disclosure and Barring Service checks

#### **Financial Requirements**

9. Scheme of delegation
10. Publication of executive pay
11. Special staff severance payments
12. Documents available for public inspection

#### **Internal Scrutiny**

13. Chair of audit committee
14. Internal scrutiny independence

#### **External Scrutiny and regulator intervention**

15. External audit re-tender
16. ESFA authority to obtain third party information
17. Cybercrime
18. Financial Notice to Improve

#### **Other**

19. ESFA Good Practice Guidance
20. VAT

## ROLES AND RESPONSIBILITIES

### 1 Suitability checks

Trusts must ensure that their members are not currently subject to a direction made under section 128 of the Education and Skills Act 2008 which prohibits individuals from taking part in academy trust management, and that they do not appoint as a member, a person who is currently subject to a section 128 direction.

In the current Keeping Children Safe in Education statutory guidance (KCSIE), academies must carry out a section 128 check for all new governors / Trustees.

Section 128 checks complement DBS checks by looking at the parts of someone's history that may not necessarily be criminal, but would still be worrying.

For example:

- Someone who undermines mutual respect for those of different faiths may not be charged with a hate crime, but you still wouldn't want them associated with your school
- An accountant who has breached the code of ethics set out by their professional body by using confidential client information for personal gain hasn't necessarily committed a crime, but you probably wouldn't want them overseeing your school's accounts.

You protect your school or trust's best interests by making sure you have a full picture of someone's suitability.

If you carry out an enhanced DBS check with barred list information on an individual, with 'children's workforce independent schools' specified in the parameters, the certificate will detail whether they are subject to a section 128 direction.

### 2 Parents in governance structure

The Trustees of the academy trust are both charity Trustees and company Trustees. The handbook refers to them as Trustees.

The trust's articles of association will set out conditions determining the minimum number of Trustees the trust will have.

All trusts should have reserved places for parents, carers or other individuals with parental responsibilities in their governance structure; trusts should hold elections to fill these places, as appropriate.

- Single academy trusts should have at least two such places on the board.
- Trusts with multiple academies should have at least two such places on the board or at least two such places on each local governing body where the trust has established them.

### 3 Safeguarding, health and safety and estates management

The 2021 handbook highlights trust's obligations in relation to safeguarding, health and safety and estates management

#### Safeguarding

Academy trust boards have a duty to:

- safeguard and promote the welfare of children
- have regard to any statutory guidance on safeguarding issued by the Secretary of State
- ensure the suitability of staff, supply staff, volunteers, contractors and proprietors.

For further guidance see the Education (Independent School Standards) Regulations 2014

#### Health and Safety

The main legislation covering this area is the Health and Safety at Work etc. Act 1974 and its regulations. Under the Act the academy trust, as an employer, is responsible for the health and safety of its staff, pupils, and any visitors.

Trust boards should follow the Department's 'Health and Safety: responsibilities and duties for schools' as well as 'Health and Safety Executive (HSE) guidance for Education'.

#### Estates Management

An academy trust's estate is both an asset and a mechanism to deliver outcomes for pupils. The DfE expects academy trusts to manage their school estate strategically and maintain their estate in a safe working condition

Find advice, standards and tools for academy trusts at 'Good Estate Management for Schools'. This includes guidance on developing an estates strategy and asset management plan, and a self-assessment to identify estate management priorities.

#### **4 Senior executive leader as a Trustee**

From 1 March 2022 any newly appointed senior executive leader can only be a Trustee if the members decide to appoint them as such, the senior executive leader agrees and the trust's articles permit it. The Department's strong preference is for no other employees to serve as Trustees, nor for Trustees to occupy staff establishment roles on an unpaid voluntary basis, in order to retain clear lines of accountability.

#### **5 External reviews of governance**

An objective independent external review of the effectiveness of the board can be a more powerful diagnostic tool than a self-evaluation. External reviews are particularly important before the board undertakes any significant change - for example before a trust grows significantly, or in cases where concerns around governance arise. The Department's strong preference is that external reviews of governance are also conducted routinely as part of a wider programme of self-assessment and improvement. Reviews should also consider the interaction between members and Trustees, including the extent to which members are able to assure themselves that the Trustees undertake their duties effectively

#### **6 Senior executive leaving the trust**

When the senior executive leader is planning to leave the trust (for example retirement or resignation), the board of Trustees should approach their Regional Schools Commissioner (RSC) in advance to discuss their structure and options, including plans for recruitment

#### **7 Clerk**

The handbook has introduced new terminology – the Clerk to the board is now to be called the Governance Professional.

The academy trust must appoint a governance professional to support the board of Trustees who is someone other than a Trustee, principal or chief executive of the trust.

#### **8 Disclosure and Barring Service checks**

In complying with the Independent School Standards, and as set out in funding agreements, academy trusts must ensure enhanced Disclosure and Barring Service (DBS) certificates are obtained as appropriate for all staff and supply staff.

Similarly all academy trust members, Trustees and individuals on any committees including local governing bodies are required to have an enhanced criminal records certificate from the Disclosure and Barring Service (DBS), which does not include a barred list check (unless in addition to their governance duties they also engage in regulated activity).

### **FINANCIAL REQUIREMENTS**

#### **9 Scheme of delegation**

The academy trust must have sound internal control, risk management and assurance processes. This should follow a tiered approach comprising:

- clearly communicated procedures, structures and training of staff
- appropriate day to day supervision and checks by management
- internal scrutiny overseen by an audit and risk committee
- external audit and assurance.

The control framework must:

- ensure delegated financial authorities are complied with and maintain appropriate segregation of duties
- co-ordinate the planning and budgeting process
- apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
- manage and oversee capital projects and assets, and maintain a fixed asset register
- ensure regularity, propriety and value for money in the organisation's activities
- ensure a risk register is maintained and reviewed by the board drawing on advice provided to it by the audit and risk committee
- reduce the risk of fraud and theft
- deliver independent checking of controls, systems, transactions and risks

#### **10 Publication of executive pay**

The trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers' pension contributions, other taxable benefits and termination payments. Trusts may wish to display this information in a tabular form showing in each column salary, pension etc.

Where the academy trust has entered into an off-payroll arrangement with someone who is not an employee, the amount paid by the trust for that person's work for the trust must also be included in the website disclosure where payment exceeds £100k as if they were an employee.

The trust is reminded of requirements under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for organisations with 250 or more employees to publish information on their website and on the government's reporting website about the gender pay gap in their organisation.

## 11 Special staff severance payments

Where the academy trust is considering a staff severance payment including a non- statutory/non-contractual element of £50,000 or more, (gross, before income tax or other deductions), ESFA's prior approval must be obtained before making any binding offer to staff. ESFA will refer such transactions to HM Treasury, so trusts should allow sufficient time for proposals to be considered.

Examples of approval requirements are as follows:

Statutory/ contractual payment		Non-statutory/ non- contractual payment	ESFA/ HM Treasury approval required?
£30,000	+	£30,000	No
£60,000	+	£30,000	No
£30,000	+	£50,000	Yes- for £50,000

Academy trusts should demonstrate value for money by applying the same scrutiny to a payment under £50,000 as those over £50,000, and have a justified business case. Settlements must not be accepted unless satisfying the conditions in this handbook and in ESFA's guidance and submission template.

Additionally, in accordance with HM Treasury's Guidance on Public Sector Exit Payments, academy trusts must obtain prior ESFA approval before making a staff severance payment where:

- an exit package which includes a special severance payment is at, or above, £100,000; and/or
  - the employee earns over £150,000. Find out more about severance payments. Use of confidentiality clauses 5.13
- Academy trusts must ensure confidentiality clauses associated with staff severance

## 12 Documents available for public inspection

The trust must make available for public inspection:

- the agenda for every meeting of the Trustees, local governing bodies and committees
- the approved minutes of each meeting
- any report, document or other paper considered at each meeting.

The trust may exclude from any item any material relating to:

- a named teacher or other employee or proposed employee
- a named pupil or student at the academy, or candidate for admission or referral to it
- any matter which, by reason of its nature, the Trustees are satisfied should remain confidential.

## INTERNAL SCRUTINY

### 13 Chair of audit committee

The chair of Trustees should not be chair of the audit and risk committee. Where the finance committee and audit and risk committee are separate, the chair should not be the same.

The academy trust must establish an audit and risk committee, appointed by the board.

- Trusts with an annual income over £50 million must have a dedicated audit and risk committee.
- Other trusts must either have a dedicated audit and risk committee or can combine it with another committee, such as finance.

The audit and risk committee should meet at least three times a year.

The audit and risk committee must:

- oversee and approve the trust's programme of internal scrutiny
- ensure that risks are being addressed appropriately through internal scrutiny
- report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks.

Employees of the trust should not be audit and risk committee members, but the accounting officer and chief financial officer should attend to provide information and participate in discussions.

Where the audit and risk committee is combined with another committee, employees should not participate as members when audit matters are discussed.

#### **14 Internal scrutiny independence**

Internal scrutiny must:

- be independent and objective – for example it must not be performed by the trust’s own accounting officer, chief financial officer or other members of the senior leadership or finance team
- be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required
- be covered by a scheme of work, driven and agreed by the audit and risk committee, and informed by risk
- be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time
- include regular updates to the audit and risk committee by the person(s) or organisation(s) carrying out the programme of work, incorporating:
- a report of the work to each audit and risk committee meeting, including recommendations where appropriate to enhance financial and non-financial controls and risk management
- an annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

### **EXTERNAL SCRUTINY AND REGULATOR INTERVENTION**

#### **15 External audit re-tender**

Under the Companies Act 2006, academy trusts must appoint an auditor to give an opinion on whether their annual accounts present a true and fair view of the trust’s financial performance and position (appointment being by the members, other than where the Companies Act permits the Trustees to appoint – for example for the trust’s first period of account). Trusts should retender their external audit contract at least every five years and must consider the relevant points below when evaluating:

- the auditor’s sector expertise
- their understanding of the trust and its activities
- whether the audit process allows issues to be raised on a timely basis at the appropriate level
- the quality of auditor comments and recommendations in relation to key areas
- the personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, the trust’s managers
- the auditor’s use of technology

#### **16 ESFA authority to obtain third party information**

ESFA or its agents may carry out audits and investigations at an academy trust. The trust must provide ESFA with access to all books, records, information, explanations, assets, premises and staff, and ESFA may take copies of relevant documents. ESFA may conduct interviews during its audits and investigations. ESFA will give reasonable notice in writing of proposed audits.

Where ESFA has concerns about financial management and/or governance at an academy trust, it may wish to obtain from third parties information or documentation about the trust which ESFA considers relevant for the purposes of its investigation. Academy trusts must provide ESFA with written authority giving permission for any third party to provide such information and documentation to ESFA or its agents on request of ESFA.

#### **17 Cybercrime**

Academy trusts must be aware of the risk of fraud, theft and irregularity and address it by putting in place proportionate controls. Trusts must take appropriate action where fraud, theft or irregularity is suspected or identified.

Academy trusts must also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred.

Trusts must obtain permission from ESFA to pay any cyber ransom demands. ESFA supports the National Crime Agency’s recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.

#### **18 Financial notice to improve**

The handbook has introduced new terminology – the financial notice to improve is now to be called a Notice to improve.

Where ESFA has concerns about financial management and/or governance in an academy trust it may issue, and publish, a Notice to Improve (NtI). The trust must comply with the NtI. Failure to comply will be deemed a funding agreement breach. The funding agreement may be terminated due to non-compliance with a NtI.

ESFA will notify the trust of the date of which ESFA has published the NtI. The trust must then publish the NtI on its own website within 14 days and retain it on the website until the NtI is lifted by ESFA.

A Ntl describes what a trust must do to address concerns about financial management or governance. For example, a Ntl may be issued due to an actual or projected deficit, cash flow problems, insolvency risk, irregular use of public funds, or inadequate governance and management (including weak oversight by Trustees, poor internal scrutiny and breaches of related party requirements).

## **OTHER**

### **19 ESFA good practice guidance**

The ESFA have issued a number of good practice guides. They do not replace or modify any requirements set out in the Academy Trust Handbook and the Academies Accounts Direction. They aim to provide suggestions about good practice.

Currently the following is available as a good practice guide:

- Streamlined Energy and Carbon reporting
- Operating an academy trust as a going concern
- Choosing an external auditor for an academy trust
- Academy trust deficit recovery
- Academy trust risk management
- Leasing guidance for academy trusts
- Academy trust management accounting
- Internal scrutiny in academy trusts
- Academy trust management letters
- External audit preparation checklist for academy trust guidance
- External audit preparation checklist

### **20 VAT – audit review**

The academy is currently not VAT registered and reclaiming VAT via the Form 126.

Our audit does not examine VAT in detail and out audit procedures are not designed to detect immaterial fraud or error. Therefore, we have not reviewed individual streams of income to:

- a. Assess whether the academy is over the VAT registration threshold
- b. Ascertain whether the VAT reclaimed is correct

There are a number of income streams that may be liable to VAT, we have provided some common area below, but please note this is not an exhaustive list:

1. Contracts whereby you receive commission or the net of income/costs for items such as uniform. The contract may be worded in such a way that you are actually the primary supplier and not an agent, if this is the case then you may be liable to register and charge VAT on these items.
2. The sale of meals to staff is a supply liable to VAT. The VAT treatment of outsourced catering contracts means that an Academy will act as principle in the sale of all meals. The sale of a meal to a member of staff (not a duty meal) will count towards the VAT registration limit
3. Certain supplies under salary sacrifice schemes can have a VAT implication either as the amounts count towards the VAT registration limit or VAT on expenses could be restricted.
4. Although the majority of income from letting the premises will be exempt depending on the exact nature of the “let” and to whom the let could be “taxable”. If additional services are supplied as a separate cost, they would be seen as taxable. Any charges for parking would be taxable.

From experience most Academies have some business income and if not VAT registered we would expect there to be some irrecoverable VAT and if the Academy is carrying out the appropriate restrictions and checks on the VAT claimed via the VAT 126 form.

If required Azets can organise an initial meeting with our VAT experts to discuss any potential issues or pitfalls with you.

## Appendix 7

### MUSTS as set out in the Academies Trust Handbook 2021

The requirements in the handbook brought together into one list: the 'musts'. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. Links to the relevant sections are included, which must be read in full.

#### Top 10 'musts' for chairs and other Trustees

##### *Personal responsibilities*

- Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with duties as company Trustees, with charity law and the funding agreement [1.13 and 1.14]

##### *Structures*

- Ensure the board of Trustees meets at least three times a year, and conducts business only when quorate [2.3]
- Approve a written scheme of delegation of financial powers [2.4]

##### *Relationships*

- Manage conflicts of interest, be even-handed with related parties, and ensure goods or services provided by them are at no more than cost, beyond the limits in this handbook [5.35 to 5.59] Money and oversight
- Ensure the board approves a balanced budget for the financial year and minutes their approval [2.10]
- Share management accounts with the chair of Trustees monthly, with the other Trustees six times a year, and consider when the board meets, taking action to maintain financial viability [2.19 and 2.20]
- Ensure decisions about executive pay follow a robust evidence-based process reflecting the individual's role and responsibilities, and that the approach to pay is transparent, proportionate and justifiable [2.30 and 2.31]
- Appoint an audit and risk committee (either dedicated or combined with another committee) to advise on the adequacy of the trust's controls and risks [1.24 and 3.6 to 3.14]

##### *Accountability and audit*

- Submit audited accounts to ESFA by 31 December [4.4]
- Ensure an appropriate, reasonable and timely response to findings by auditors, taking opportunities to strengthen financial management and control [4.16]

##### *Roles and responsibilities*

- Adhere to The 7 principles of public life
- Have the skills, knowledge and experience to run the trust [1.1]
- Have at least three members, although the Department's strong preference is for five [1.3]
- Have suitability checks in place for members to ensure they are not subject to a direction under section 128 of the Education and Skills Act 2008 [1.4].
- Not have members as employees, nor have members occupy staff roles on an unpaid voluntary basis [1.5]
- Ensure regularity, propriety and value for money [1.21, 1.38 and 2.7]
- Trustees to take ownership of financial sustainability and ability to operate as a going concern [1.21]
- Ensure committees contain a majority of Trustees [1.25]
- Not have de facto Trustees or shadow Trustees [1.26]
- Include a review of the trust's governance structure and board composition in the governance statement when producing audited accounts for the first time [1.28]
- Appoint a senior executive leader (should be principal or chief executive) [1.33]
- Appoint an accounting officer (the senior executive leader) with responsibility for regularity, propriety and value for money and for assuring the board about compliance with the funding agreement and handbook [1.34 to 1.44]
- Demonstrate in the governance statement how the trust has secured value for money [1.41]
- Include a statement on regularity, propriety and compliance, signed by the accounting officer, in the audited accounts [1.41 and 4.13]
- Appoint a chief financial officer to lead the finance department [1.45]
- Have appropriately qualified and/or experienced finance staff [1.46]
- Appoint a governance professional (clerk to the board) [1.49]
- Arrange DBS checks as appropriate [1.51 and 1.52]

##### *Main financial requirements*

- Maintain robust oversight of the trust [2.1]
- Take responsibility for financial affairs, stewardship of assets and use resources efficiently [2.2]
- Describe in the governance statement how the board has maintained effective oversight if meeting less than six times a year [2.3]
- Have sound internal control, risk management and assurance processes [2.6]
- Establish a control framework that includes:
  - ensuring delegated financial authorities are complied with, and segregation of duties maintained
  - co-ordinating the planning and budgeting process
  - discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
  - planning and oversight of capital projects
  - management and oversight of assets including maintenance of a fixed asset register
  - regularity, propriety and value for money
  - reducing fraud and theft

- independent checking of controls, systems, transactions and risks
  - a competitive tendering policy [2.7 and 2.28]
- Prepare and monitor financial plans to ensure the trust remains a going concern and ensure rigour and scrutiny in budget management [2.8 and 2.9]
- Ensure budget forecasts are accurate, based on realistic assumptions and reflective of lessons learned from previous years [2.11]
- Submit a budget forecast return outturn and 3-year budget forecast return to ESFA [2.15 and 2.16]
- Notify ESFA within 14 days if proposing a deficit revenue budget for the current financial year which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook [2.17]
- Prepare management accounts every month and take appropriate action. Measure key financial performance indicators regularly and analyse in annual Trustees' report [2.18, 2.21 and 2.22]
- Manage cash position robustly and avoid becoming overdrawn [2.24]
- Have a cautious approach to investments in line with the handbook principles [2.25]
- Show that public funds have been used as intended by Parliament [2.27]
- Publish on trust's website the number of employees whose benefits exceeded £100k, in £10k bandings [2.32]
- Ensure senior employees' payroll arrangements meet HM Treasury's tax requirements [2.34] 70
- Not use trust's funds to purchase alcohol for consumption, except where it is to be used in religious services [2.35]
- Charge for boarding provision in line with this handbook [2.37]
- Manage risks, including contingency and business continuity planning and maintain a risk register. Board to retain oversight of risk and review risk register at least annually. [2.38 and 2.39]
- Have adequate insurance or be a member of DfE's risk protection arrangement [2.40]
- Implement reasonable risk management audit recommendations [2.42]
- Have published procedures for whistleblowing and respond properly and fairly [2.43 to 2.48] • Be transparent with governance arrangements [2.49]
- Publish the trust's governance arrangements in its governance statement and in a readily accessible form on its website [2.50]
- Ensure governance documents are available for public inspection [2.51].
- Provide ESFA or its agents with information of sufficient quality to meet funding requirements [2.52]
- Notify DfE via Get information about schools within 14 days of changes in information about members, Trustees, local governors, chair of Trustees, chairs of local governing bodies, accounting officer and chief financial officer [2.54 to 2.58]

#### **Internal scrutiny**

- Check financial and non-financial controls and risks [3.1 to 3.5]
- Oversee controls and risks at constituent academies [3.13]
- Ensure information submitted to DfE and ESFA affecting funding is accurate and compliant [3.14]
- Internal scrutiny must be viewed in the same way as internal audit [3.20].
- Ensure checks are conducted by someone independent, suitably qualified and experienced [3.15 to 3.21]
- Provide internal scrutiny reports to the audit and risk committee and make the findings available to all Trustees promptly [3.15 and 3.16]
- Confirm in the governance statement which internal scrutiny option has been applied and why [3.22]
- Provide annual summary of internal scrutiny to ESFA by 31 December, and provide other internal scrutiny reports on request [3.23] 71

#### **Annual accounts and external audit**

- Produce audited accounts, publish on the trust's website by 31 January and file with Companies House [4.1 to 4.4]
- Appoint an external auditor in writing, for the annual accounts [4.5 and 4.6]
- Put any additional services from the external auditor in a separate letter of engagement [4.6]
- Provide in the audit contract for the removal of external auditors [4.7]
- Notify ESFA immediately of the removal or resignation of external auditors, and the reasons [4.8]
- Prepare information, at DfE's request, for the sector annual report and accounts [4.9 and 4.10]
- Include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit, and address the auditor's conclusions on regularity jointly to the trust and ESFA [4.15]
- Audit and risk committee to review the external auditor's plan, annual accounts, audit findings, management response and effectiveness of the external auditor and produce annual report of conclusions [4.17]

#### **Delegated authorities**

- Obtain ESFA's prior approval for transactions beyond the trust's delegated limits [5.1]
- Make financial disclosures in the annual accounts in line with this handbook [5.2 and 5.3]
- Refer novel, contentious and/or repercussive transactions to ESFA for prior approval [5.5]
- For staff severance payments, consider the following before committing:
  - whether the proposed payment is in the trust's interests
  - whether payment is justified and value for money, based on a legal assessment
  - review the level of settlement, which must be less than the legal assessment of what the relevant body (e.g. employment tribunal) is likely to award [5.8]
- Obtain ESFA's prior approval for the non-contractual/non-statutory element of a staff severance payment of £50,000 or more (gross, before deductions) [5.10]
- Not accept a settlement for a staff severance payment unless satisfying the conditions in this handbook [5.11] 72
- Obtain prior approval for staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k [5.12]

- Ensure confidentiality clauses do not prevent an individual's right to make disclosures in the public interest [5.13]
- For compensation payments, base on appraisal, including legal advice, ensuring value for money [5.14]
- Obtain ESFA's prior approval for non-contractual/non-statutory compensation payments of £50,000 or more [5.15]
- Obtain ESFA's prior approval for ex gratia payments [5.18]
- Obtain ESFA's prior approval for writing off debts and losses, guarantees, letters of comfort and indemnities beyond limits in this handbook [5.19 and 5.20]
- Obtain ESFA's prior approval, before acquiring and disposing of fixed assets beyond limits in this handbook and ensure disposal achieves best price [5.23 and 5.24]
- Obtain ESFA's prior approval for leases beyond limits in this handbook [5.26 to 5.28]
- Not pool PFI funding across a trust with multiple academies [5.30]
- Consider the funding needs of individual academies if pooling GAG, and have an appeals mechanism [5.31]
- Ensure gifts by the trust have the decision documented, and have regard to propriety and regularity [5.32]
- Obtain ESFA's prior approval before borrowing, including finance leases and overdrafts, and only use credit cards for business expenditure [5.33]
- Ensure no member, Trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain [5.36]
- Ensure no payments to Trustees unless permitted by the articles and comply with the terms of any agreement with the Secretary of State [5.36]
- Obtain Charity Commission prior approval for paying a Trustee for acting as a Trustee [5.36]
- Ensure the board chair and the accounting officer manage their relationships with related parties to avoid real and perceived conflicts of interest [5.38]
- Recognise that related party transactions may attract public scrutiny and require sufficient disclosure in annual accounts to support accountability and transparency [5.39 and 5.40]
- Report all contracts and other agreements with related parties to ESFA in advance [5.41] 73
- Obtain ESFA prior approval for contracts and other agreements with related parties beyond limits in this handbook [5.42 to 5.44]
- Capture in an up to date register of interests the relevant business and pecuniary interests of members, Trustees, local governors and senior employees [5.45] and interests of other individuals as described in [5.46]
- Publish relevant business and pecuniary interests of members, Trustees, local governors and accounting officers [2.50 and 5.48]

#### ***The regulator and intervention***

- Arrange for letters to trusts' accounting officers from ESFA's accounting officer about the accountability framework to be discussed by the board and, where appropriate, strengthen the trust's systems [6.2]
- Provide ESFA with access to books, records, information, explanations, assets, premises and staff to assist with its audits [6.4]
- Provide ESFA with permission for any third party to provide requested information where there are concerns or an investigation is ongoing at a trust [6.5].
- Retain records for at least six years after the period to which funding relates [6.6]
- Send ESFA a financial management and governance self-assessment for new academy trusts, or constituent academies joining an existing trust [6.7]
- Submit school resource management self-assessment tool to ESFA annually [6.9]
- Be aware of the risk of fraud, theft and irregularity and address with proportionate controls and appropriate action [6.11]
- Notify ESFA of fraud or theft over £5,000, individually or cumulatively, or of any value where unusual or systematic [6.12]
- Be aware of the risk of cybercrime and put in place proportionate controls and appropriate action where a cyber security incident has occurred [6.16]
- Obtain permission from ESFA before paying any cyber ransom demands [6.17].
- Comply with a Trust Notice to Improve [6.18 and 6.20]
- Publish the Ntl on the trust's website until it is lifted [6.19]
- Waive delegated authorities and obtain ESFA approval of certain transactions described in this handbook if the trust has an Ntl [6.21]
- Cooperate with NAO and provide help, information and explanation [6.29]