

Academies Financial Handbook 2020 – Key Changes

Introduction

On 23 June 2020 the ESFA published the Academies Financial Handbook 2020 (AFH 2020) which replaces the 2019 Handbook with effect from 1 September 2020.

A full copy of the AFH 2020 can be found at www.gov.uk/government/publications/academies-financial-handbook.

What has changed?

Governance

Part 1	Paragraph 1.14 (AFH 2019 paragraph 1.13) now includes an additional sentence- “The trustees must take ownership of the trust’s financial sustainability and its ability to operate as a going concern. The paragraph includes a link to guidance on going concern which provides the definition of going concern along with information on how trustees can monitor the financial position of the trust.
Part 2	Paragraph 1.4 has been revised to emphasise that members must not be employees of the trust. This now includes staff roles on an unpaid voluntary basis. This requirement is effective from 1 March 2020.
Part 3	A new paragraph has been inserted (1.8) requiring that members must be kept informed about trust business.

Suggested Action:

Ensure there is a process in place so that members receive updates on the trusts’ finances from the trust board throughout the year.

Part 4	The appointment of a clerk to the board is now a must having been introduced as a ‘should’ (best practice but not compulsory) in the AFH 2019.
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Suggested Action:

If a clerk to the board has not been appointed, ensure the appointment of a clerk is on the agenda for the next trust board meeting.

Part 5	Paragraph 5.46 states that trusts must keep their register of interests up to date.
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Suggested Action:

The register of interests is reviewed and if necessary updated, at each trust board meeting.

Executive Team

Part 6	The AFH 2020 continues with the requirement that the Accounting Officer and Chief Financial Officer (CFO) should be employees. However from 1 September 2020 where either position is taken by a person who is not an employee, the trust must obtain ESFA approval prior to the appointment (paragraphs 1.21 and 1.36).
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Suggested Action:

Ensure that ESFA prior approval is obtained if the Accounting Officer and CFO positions are to be offered to persons who will not be employees. This will be particularly relevant where there is a sudden departure and the trust is looking to make an interim appointment.

Part 7	For larger trusts (for example over 3,000 pupils), the ESFA encourages trustees to consider the range of accountancy qualifications available from professional bodies (e.g. ICAEW, ACCA, CIMA or CIPFA) and take this into account when filling CFO vacancies.
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General controls and transparency

Part 8	Paragraph 2.7 has been updated to include a must that a fixed asset register is maintained.
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Part 9	Paragraph 2.12 has been extended with the recommendation (“should”) that pupil number projections are reviewed each term.
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Part 10	Paragraph 2.13 has been extended to further encourage an integrated approach to curriculum and financial planning.
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Part 11	Paragraph 2.24 has been extended to include the must that all of a trust’s bank accounts remain in credit at all times, so that it does not breach restrictions on borrowings.
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Part 12	A new paragraph 2.32 has been inserted requiring that a trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceed £100,000 in £10,000 bandings, as an extract from the disclosure in its financial statements for the previous year ended 31 August. Benefits for this purpose include salary, other taxable benefits and termination payments but not the trusts’ own pension costs.
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Suggested Actions:

The board should review the pupil number projections each term.

Bank account balances should be monitored at each board meeting to ensure no account has gone overdrawn.

Consider the use of integrated curriculum financial planning at least once a year.

The trust’s website is updated for such disclosures in the financial statements for the year ended 31 August 2019 from 1 September 2020 and annually thereafter.

Part 13	A new paragraph 2.35 has been inserted stating that a trust's funds must not be used to purchase alcohol, except where it is used in religious services.
Part 14	Whistleblowing procedures must be published on the website (paragraph 2.44)
Part 15	The risk register must be reviewed by the board of trustees at least annually who retain overall responsibility for the register (paragraph 3.38) and should only receive support from the audit committee, not delegate responsibility to it.
Part 16	The audit committee must report to the board on the controls around non-financial risks as well as financial risks (paragraph 3.8).

Suggested Actions:
 Ensure there is a policy in place that under no circumstances should alcohol be purchased except for use in religious services.
 Ensure the whistleblowing policy is published on the website.
 Document annual reviews of the risk register.
 Audit committee consider non- financial risks and report to the Board thereon.

Internal Scrutiny

Part 17	Paragraph 3.20 clarifies the position regarding the provision of internal audit / scrutiny services following the issue of the Financial Reporting Council's revised Ethical Standard in January 2020. This states that a firm providing external audit shall not also provide internal audit services. The ESFA considers that the term internal scrutiny should be viewed in the same way as internal audit.
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Suggested Action:
 Trust boards should review the existing internal audit / scrutiny provision and, if necessary, put in new arrangements to take effect from 1 September 2020.

Part 18	Paragraph 3.23 requires that where additional individuals or organisations have provided internal audit / scrutiny services where specialist non-financial knowledge is required, their findings recommendations and conclusions should be included in the summary document submitted to the ESFA by 31 December each year.
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Suggested Action:
 Audit and risk committee should ensure the annual internal scrutiny report includes this (where applicable).

Annual Accounts

Part 19

Paragraph 4.17 has been added to set out the role of the audit and risk committee (previously described on the audit committee) in relation to external audit. Specifically the audit and risk committee must:

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

Considerations may include:

- ❑ sector expertise
- ❑ understanding 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 / directors and their staff to interact effectively with, and robustly challenge, the trust's managers
- ❑ use of technology

Suggested Actions:

The chair of the audit committee to liaise with external auditors at the planning stage of the audit to discuss their plan.

The audit and risk committee to produce an annual report on the external audit for the trustees and members consideration.