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The Board of Trustees
Barnwell Academy Trust
Whitefield Estate
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26 November 2019

Dear Sirs/Mesdames

AUDIT FINDINGS REPORT – BARNWELL ACADEMY TRUST

During the audit of the financial statements for the year ended 31 August 2019, we examined and sample tested the accounting systems which the academy trust has established to ensure that the accounting records are accurate and 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 your business and our recommendations on how to improve the systems – see appendix 1 - 4.

Our report also includes details of recently released accounting standards and legislation which we would like to bring to your attention – see appendix 5. This section is for information only.

We have also included in this report a schedule showing the adjusting and unadjusted journals found during the audit – please see appendix 6.

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.

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

Yours faithfully

BALDWINS AUDIT SERVICES

Enc

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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 Directors.

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 Directors 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

Prior to the academy trust's year end we reported 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.

The principal threats and safeguards are repeated below:

Principal threats	**Safeguards Implemented (and why they are considered effective)**
We are responsible for the preparation of the financial statements in addition to carrying out the audit. The service will not involve initiating transactions. 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.	We have a separate team based in the office responsible for preparing your financial statements. It is also agreed that a senior staff member will carry out a review of the financial statements. This will mitigate the threat of being too closely aligned with management and ensure that all accounting judgements are impartial and that the service is just one of a technical nature. Please see the below comment with regard to the independent principal review of the audit, which will address the self-review risk, as all audit work will need to be clearly explained.

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) 2015

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

Appendix 1 – Executive Summary

We have not identified any issues to be brought to your attention as a result of our audit work.

Appendix 2

Issues identified in current year audit

We have not identified any issues to be brought to your attention as a result of our audit work.

Appendix 3

Unresolved issues from previous years

No issues were raised in the prior period.

Appendix 4

No matters were reported in the 2018 management letter.

Appendix 5

Emerging Issues for Information Only

1. VAT

2. Related Party Transactions and Connected Party Transactions – reminder

3. Salaries > £100k (plus additional points raised by ESFA to Charter)

4. Governance

5. Internal audit
    1. Purpose
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6. Risk register

7. Top 10 checks

8. Management accounts and KPI

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1. VAT – AUDIT REVIEW

Observation

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

Issue

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 de some irrecoverable VAT and is the Academy carrying out the appropriate restrictions and checks on the VAT claimed via the VAT 126 form

Recommendation

We recommend that that a separate VAT audit is undertaken if required.

2. RELATED PARTY TRANSACTIONS AND CONNECTED PARTY TRANSACTIONS - REMINDER

Observation

Related party transactions continue to be of keen interest to the ESFA and they have clarified a number of points in the Academies Financial Handbook 2019.

Issue

The board **MUST** ensure requirements for managing related party transactions are applied across the Trust. The Chair of the Board and the accounting officer **MUST** ensure their capacity to control and influenced does not conflict with these requirements. They **MUST** manage personal relationships with related parties to avoid both real and perceived conflicts of interest.

Reporting of related party transactions to ESFA

The Trusts **MUST** report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's related party on-line form. This applies to all such contracts and agreements made on or after 1 April 2019. There is no de-minimus in place.

Approval of related party transactions by ESFA

Trusts **MUST** obtain prior approval from the ESFA for contracts for the supply of goods or services to the trust by a related party where:

- A contract or other agreement exceeding £20,000
- A contract or other agreement of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year
- A contract of any value if there have been contracts exceeding £20,000, individually or cumulatively, with the related party in the same financial year

Trusts **MUST** obtain ESFA's approval for transactions with related parties that are "novel, contentious and/or repercussive"

- Novel – transactions which the Trust has no experience or are outside its range of normal business
- Contentious – transactions that might cause criticism of the Trust by Parliament, the public or the media
- Repercussive – transactions that are likely to cause pressure on other Trusts to take a similar approach

Approval of transactions for salaries and other payments made to a person under a contract of employment are not included

At cost requirements

A Trust **MUST** pay no more than 'cost' for goods or services provided by members of trustees of the academy trust and parties connected to them. Full cost **MUST NOT** include any profit and includes all direct costs and indirect costs (a reasonable proportion of overheads)

Contributions made by a Trust to its Diocese for services it receives are regarded as meeting the "at cost" requirement

Recommendation

We recommend that the Trustees review the guidance on related party transactions and disclosures to the ESFA – this can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811261/Academies_Financial_Handbook_2019.pdf

3. EXECUTIVE PAY AND SALARIES IN EXCESS OF £100,000

Observation

The ESFA have issued a series of letters to Academy Trust's which are paying salaries in excess of £150,000 and/or are paying salaries to 2 or more employees between £100,000 and £150,000.

Issue

The letters asked for further information on the rationale for the level of pay along with the due process followed for all such salaries.

The Academies Financial Handbook further strengthened the requirements of the Board who MUST discharge its responsibilities effectively by:

- Determining executive pay is agreed by the Board in advance and documented
- Ensuring decisions reflect independent and objective scrutiny
- Ensuring factors in determining pay are clear
- Ensuring pay is defensible relative to the public sector market
- Documenting the rationale behind the decision making process
- Presuming that non-teaching pay should not increase at a faster rate than that of teachers
- Understanding that inappropriate pay can be challenged by ESFA

Recommendation

We recommend that the Trustees should review their policies on determining executive pay, review the ESFA's guidance for academies on setting executive pay (https://www.gov.uk/government/news/esfa-introduces-guidance-for-academies-on-setting-executive-pay) and ensure they include a robust evidenced based process.

4 GOVERNANCE

Observation

The Academies Financial Handbook 2019 has made changes to reinforce responsibilities for Trustees to discharge their responsibilities and ensure robust governance and effective financial management. The Chair of Trustees is responsible for ensuring effective functioning of the Board and setting professional standards of governance

Issue

The Trustees must apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management. They should follow the Governance Handbook, which describes the following features of effective governance and will aid compliance with the Academies Financial Handbook:

- strategic leadership that sets and champions vision, ethos and strategy
- accountability that drives up educational standards and financial performance
- people with the right skills, experience, qualities and capacity
- structures that reinforce clearly defined roles and responsibilities
- compliance with statutory and contractual requirements
- evaluation of governance to monitor and improve its quality and impact

The Chair is responsible for ensuring the effective functioning of the Board and for setting professional standards of governance and accountability for the Board. ESFA will help Chairs and their Boards to do this if required.

The Board should identify the skills and experience it needs, including financial knowledge, and address gaps through recruitment, and/or induction, training and other development activities. This is particularly important at key transition points. The board should also address this for local governing bodies. The Governance Handbook identifies training material to help Trustees develop and engage fully with their role. This includes a competency framework for governance that Trusts should refer to in determining whether they have skills gaps.

The Board and its committees must meet regularly enough to discharge their responsibilities and ensure robust governance and effective financial management. Board meetings must take place at least three times a year (and business conducted only when quorate), although Trusts should consider meeting more frequently. If the Board meets less than six times a year it must describe in its governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings.

The Trust must be transparent with its governance arrangements.

The Trust must also publish on its website up-to-date details of its governance arrangements in a readily accessible format, including:

- the structure and remit of the members, Board of Trustees, committees and local governing bodies (the Trust's scheme of delegation for governance functions), and the full names of the chair of each

- for each member serving at any point over the past 12 months, their full names, date of appointment, date they stepped down (where applicable), and relevant business and pecuniary interests including governance roles in other educational institutions

- for each Trustee and local governor serving at any point over the past 12 months, their full names, date of appointment, term of office, date they stepped down (where applicable), who appointed them, and relevant business and pecuniary interests including governance roles in other educational institutions. If the accounting officer is not a Trustee their business and pecuniary interests must still be published.
- for each Trustee their attendance records at Board and committee meetings over the last academic year
- for each local governor their attendance records at local governing body meetings over the last academic year

Robust governance arrangements also includes a robust control framework which must include the independent checking of financial controls, systems, transactions and risks. This is covered in more detail in section 5 below.

Recommendation

We recommend that the Trustees review their responsibilities and ensure that they comply with the new requirements.

5.1 INTERNAL AUDIT - PURPOSE

Observation

All Academy Trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls, and risk management procedures, are operating effectively.

Issue

The Academies Financial Handbook 2019 (AFH) provides 4 options for Academy Trusts to conduct internal scrutiny, the work focusing on:

- evaluating the suitability of, and level of compliance with, financial and other controls. This includes both evaluating whether controls and procedures are effective and efficient, and checking transactions to confirm that controls and procedures are being followed
- advice and insight to the board on how to address weaknesses in financial and other controls, recommending improvement, but without diluting the responsibility of management for the day to day running of the Academy Trust
- ensuring risks are adequately identified, reported and managed

The AFH, therefore, requires that Academy Trusts have effective oversight and monitoring of their internal control environment. The internal scrutiny function provides this.

Internal scrutiny should take account of output from other assurance procedures to inform the programme of work. It should have regard to recommendations from the Trust's external auditors as described in their management letter, and from relevant reviews undertaken by ESFA. It should also consider other non-financial areas such as GDPR, IT and health and safety.

Recommendation

We recommend that the Trustees should review their policies on internal audit scrutiny and ensure they include a robust evidenced based process.

5.2 INTERNAL AUDIT – DIRECTING AND DELIVERING

Observation

All Academy Trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and others controls, and risk management procedures, are operating effectively.

Issue

Audit Committee
The Academy Trust must establish an audit committee, appointed by the Board. Trusts with an annual income over £50 million must have a dedicated audit committee. Other trusts must either have a dedicated audit committee or can combine it with another committee.

The audit committee should meet at least three times a year. The audit committee's role must include directing the Trust's programme of internal scrutiny and reporting to the Board on the adequacy of the Trust's financial and non-financial controls and management of risks.

Delivery
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 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 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 committee by the person or organisation carrying out the programme of work, incorporating:
• a report of the work to each audit committee meeting, including recommendations where appropriate to enhance financial and other controls and risk management
• a short annual summary report to the audit 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.

The Trust **must** deliver internal scrutiny in the most appropriate way to its circumstances. These can include employing an in-house internal auditor; a bought-in internal audit service (under a separate letter of engagement if the internal and external audit is performed by the same firm); the appointment of a non-employed trustee and a peer review by the CFO or other member of the finance team from another academy trust. A combination of these options can also be used. However, those carrying out the programme of work need to be suitably qualified and/or experienced:

- internal auditors should be members of a relevant professional body
- trustees and peer reviewers should have qualifications in finance, accounting or audit and appropriate internal audit experience.

Recommendation

We recommend that the Trustees should review their policies on internal audit scrutiny and ensure they include a robust evidenced based process.

5.3 INTERNAL AUDIT – REPORTING

Observation

All Academy Trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and others controls, and risk management procedures, are operating effectively.

Issue

The Trust must confirm in its governance statement, accompanying its annual accounts, which of the internal scrutiny options it has applied and why. The outcome of the work must also inform the accounting officer's statement of regularity in the annual accounts.

The Trust must submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions (as presented to the audit committee under section 3.15 by the person or organisation carrying out the programme of work) to ESFA by 31 December each year when it submits its audited annual accounts. The Trust must also provide ESFA with any other internal scrutiny reports if requested.

Recommendation

We recommend that the Trustees should review their policies on internal audit scrutiny and ensure they include a robust evidenced based process.

6. RISK REGISTER

Observation

The Academies Financial Handbook now states Trust **must** have a risk register in place and it **must** be maintained. Previously this was a "should" requirement. The risk register is a key document which should help drive the focus of the internal audit function

Issue

Risk management involves the identification, measurement, management, monitoring and reporting of threats to an organisation's business objectives. Such threats could arise from a wide variety of sources, including financial uncertainty, IT security, management errors, accidents, natural disasters, and so on.

Once risks have been identified, assessed, evaluated and ranked, academy trusts will need to ensure there are appropriate plans to manage them. These plans include preventative controls, mitigation processes and contingency plans in the event that risks materialise.

Once the academy trust has established its risk tolerance and capacity, it can move onto developing a risk control strategy. Again, there are various ways to do this and no one way is "right", but one easy-to-follow approach is to consider the **"4 T's"**

- **Tolerate**
- **Treat**
- **Transfer**
- **Terminate**

The board (including any relevant sub-committee such as the finance or audit committee) should set out how and when it wants to receive information about risks. This reporting should provide reliable, current, complete and timely information, reflecting different risk types as well as emerging issues.

Recommendation

We recommend that the Trustees should review their risk register on a regular basis and ensure they include a robust evidenced based process.

7. TOP 10 PLANNING CHECKS

Observation

The ESFA have issued guidance on the Top 10 planning checks for governors.

Issue

School and academy governors can explore the questions to help schools manage their resources and money efficiently.

The areas covered are:

1. Staff pay as a percentage of total expenditure
2. Average teacher cost
3. Pupil-to-teacher ratio (PTR)
4. Class sizes
5. Teacher contact ratio
6. Proportion o budget spent on the leadership team
7. 3 to 5 year budget projections
8. Spend per pupil for non-pay expenditure lines compared to similar schools
9. School improvement plan priorities and relative cost of options
10. List of contracts with costs and renewal dates

Trustees at schools and academies can use this information as a starting point to check if their school is managing resources and finances effectively.

Use these checks early in the annual budget planning cycle and when looking ahead at the 3 to 5 year position.

On many of these areas, you should be consulting your school business professional (who could be the business manager, or finance director equivalent, in your setting), as well as your headteacher or CEO.

Recommendation

We recommend that the Trustees should explore this guidance and further information can be found https://www.gov.uk/guidance/school-resource-management-top-10-planning-checks-for-governors

8. MANAGEMENT ACCOUNTS

Observation

The trust must prepare management accounts every month setting out its financial performance and position. Managers must take appropriate action to ensure ongoing viability.

Issue

Management accounts **must** be prepared every month (AFH2019 2.18) and **must** include an income and expenditure account, variation to budget report, cash flows and balance sheet as a bare minimum (AFH2019 2.21). Failure to include any of these reports would result in non-compliance with the AFH.

Management accounts **must** also select key financial performance indicators and measure their performance regularly (AFH2019 2.22). We would therefore recommend including these within your management accounts pack for Trustees to ensure this process takes place regularly. Some suggested KPI's can be found by reviewing the Top 10 Planning checks in section 7.

Management accounts must be shared with the chair of trustees every month irrespective of the trust's size, and with the other trustees six times a year. The board must consider these when it meets.

Recommendation

We recommend that the Trustees should ensure management accounts are prepared monthly.

9. CLERK TO THE BOARD

Observation

The ESFA have issued guidance on the benefits of engaging a knowledgeable clerk to the board to provide trustees with expert advice.

Issue

The academy trust should appoint a clerk to support the board of trustees who is someone other than a trustee, principal or chief executive of the trust. A clerk can help the efficient functioning of the board by providing:

- administrative and organisational support
- guidance to ensure the board works in compliance with the appropriate legal and regulatory framework, and understands the potential consequences of noncompliance
- advice on procedural matters relating to operation of the board

Recommendation

We recommend that the Trustees should explore this guidance and further information can be found in the Academies Financial Handbook

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811261/Academies_Financial_Handbook_2019.pdf

10. FINANCIAL SUMMARIES AND PROJECTIONS

Observation

Lord Agnew's letter to Academy auditors dated 30 April 2019 stated that "*It is important for academy trust management teams to produce an appropriate briefing for their boards when they table the accounts, not to outsource this to their auditors.*"

Issue

A short financial summary will help ensure trusts have a solid base from which to construct robust three-year financial forecasts.

These are powerful as they bring together in a simple way all the important financial and audit issues that a board should be aware of at the time the accounts are signed.

Lord Agnew suggests that these reports should not be outsourced to your external auditors.

Recommendation

We recommend that you produce an appropriate briefing to your board when the accounts are tabled for approval. We would be happy to work with you to ensure the appropriateness of the report.

11. GOING CONCERN

Observation

The Academies Accounts Direction requires academy trustees to produce a statement on the academy trust's ability to continue to operate as a going concern, including disclosure of any financial uncertainties facing it.

Issue

With Academy Trust's facing a reduction in funding, combined with increased costs (such as Teachers Pension contributions), a reduction in reserves will occur. Accordingly, the ability for Trust's to be able to meet its obligations as they fall due with become more relevant.

Recommendation

We recommend that you review the ESFA's guidance and review the Trust's going concern status on an annual basis.

https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/operating-an-academy-trust-as-a-going-concern

PLEASE CONTACT US IF YOU WOULD LIKE ANY FURTHER ADVICE ON THE ISSUES NOTED ABOVE.

Appendix 6

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. We did not make any adjustments to the financial statements as a result of our audit other than processing an adjustment of £1,467 in respect of irrecoverable debtor balances.

Uncorrected misstatements

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

No	Detail	SOFA		Balance Sheet		Surplus effect
		Dr £	Cr £	Dr £	Cr £	£
1	Potential additional accruals and prepayments	-	567	705	138	567
	Potential impact on reserves					567

APPENDIX 7

MUSTS as set out in the Academies Financial Handbook 2019

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.

Personal responsibilities

- Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with duties as company directors, with charity law and the funding agreement [1.11 and 1.12]

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 [5.34 to 5.58]

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 committee (either dedicated or combined with another committee) to advise on the adequacy of the trust's controls and risks [1.17 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]
- Not have employees as members unless permitted in articles [1.4]
- Ensure regularity, propriety and value for money [1.13, 1.28 and 2.7]
- Ensure committees contain a majority of trustees [1.16]
- Not have de facto trustees or shadow directors [1.18]

- Include a review of the trust's governance structure and board composition in the governance statement when producing audited accounts for the first time [1.20]
- Appoint a senior executive leader (should be principal or chief executive) [1.24]
- 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 [1.25 to 1.34]
- Demonstrate in the governance statement how the trust has secured value for money [1.31]
- Include a statement on regularity, propriety and compliance, signed by the accounting officer, in the audited accounts [1.31 and 4.13]
- Appoint a chief financial officer to lead the finance department [1.35]
- Have appropriately qualified and/or experienced finance staff [1.36]

Main financial requirements

- Maintain robust oversight of the trust [2.1]
- Take responsibility for financial affairs 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
- 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 ongoing financial health 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 [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]
- Ensure senior employees' payroll arrangements meet HM Treasury's tax requirements [2.33]
- Charge for boarding provision in line with this handbook [2.35]
- Manage risks, including contingency and business continuity planning and maintain a risk register [2.36 and 2.37]
- Have adequate insurance or be a member of DfE's risk protection arrangement [2.38]
- Implement reasonable risk management audit recommendations [2.40]
- Have procedures for whistleblowing and respond properly and fairly [2.41 to 2.46]
- Be transparent with governance arrangements [2.47]

- Publish the trust's governance arrangements in its governance statement and in a readily accessible form on its website [2.48]
- Provide ESFA or its agents with information of sufficient quality to meet funding requirements [2.49]
- 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 [2.51 to 2.55]

Internal scrutiny

- Check financial and other 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]
- Ensure checks are conducted by someone independent, suitably qualified and experienced [3.15 to 3.20]
- Provide internal scrutiny reports to the audit 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 [3.21]
- Provide annual summary of internal scrutiny to ESFA by 31 December, and provide other internal scrutiny reports on request [3.22]

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]

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 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 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]
- Ensure confidentiality clauses do not prevent an individual's right to make disclosures in the public interest [5.12]
- For compensation payments, base on appraisal, including legal advice, ensuring value for money [5.13]
- Obtain ESFA's approval for non-contractual/non-statutory compensation payments of £50,000 or more [5.14]
- Obtain ESFA's approval for ex gratia payments [5.17]
- Obtain ESFA's approval for writing off debts and losses, guarantees, letters of comfort and indemnities beyond limits in this handbook [5.18 and 5.19]
- Obtain ESFA's approval, before acquiring and disposing of fixed assets beyond limits in this handbook and ensure disposal achieves best price [5.22 and 5.23]
- Obtain ESFA's approval for leases beyond limits in this handbook [5.25 to 5.27]

- Not pool PFI funding across a MAT [5.29]
- Consider the funding needs of individual academies if pooling GAG, and have an appeals mechanism [5.30]
- Ensure gifts by the trust have the decision documented, and have regard to propriety and regularity [5.31]
- Obtain ESFA's approval before borrowing, including finance leases and overdrafts, and only use credit cards for business expenditure [5.32]
- Ensure no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain [5.35]
- Ensure no payments to trustees unless permitted by the articles and comply with the terms of any agreement with the Secretary of State [5.35]
- Obtain Charity Commission approval for paying a trustee for acting as a trustee [5.35]
- Ensure the board chair and the accounting officer manage their relationships with related parties to avoid real and perceived conflicts of interest [5.37]
- Recognise that related party transactions may attract public scrutiny and require sufficient disclosure in annual accounts to support accountability and transparency [5.38 and 5.39]
- Report all contracts and other agreements with related parties to ESFA in advance [5.40]
- Obtain ESFA approval for contracts and other agreements with related parties beyond limits in this handbook [5.41 to 5.43]
- Capture in the register of interests the relevant business and pecuniary interests of members, trustees, local governors and senior employees [5.44] and interests of other individuals as described in 5.45
- Publish relevant business and pecuniary interests of members, trustees, local governors and accounting officers [2.48 and 5.47]

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 and premises to assist with its audits [6.4]
- Retain records for at least six years after the period to which funding relates [6.5]
- Send ESFA a financial management and governance self-assessment for new academy trusts, or constituent academies joining a MAT [6.6]
- Be aware of the risk of fraud, theft and irregularity and address with proportionate controls and appropriate action [6.9]
- Notify ESFA of fraud or theft over £5,000, individually or cumulatively, or of any value where unusual or systematic [6.10]
- Comply with a Financial Notice to Improve [6.14 and 6.16]
- Publish the FNtI on the trust's website until it is lifted [6.15]
- Waive delegated authorities and obtain ESFA approval of certain transactions described in this handbook if the trust has an FNtI [6.17]
- Cooperate with NAO and provide help, information and explanation [6.25]