



Academies Newsletter



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In May of this year the Chief Executive of the Educational Funding Agency, Mr Peter Lauener, wrote to all the accounting officers at Academy Schools highlighting a number of key areas for the accounting officer and trustees to consider.

This focused on two main areas and included two appendices firstly on fraud and irregularity and secondly on connected parties.

Due to the nature of these areas and the high risk of public scrutiny on the discovery of such breaches, it is important that each Academy considers these in detail to ensure they do not fall foul of the recommendations.

As part of their independent audit, Academies appointed auditors are to look into these procedures to ensure that they are compliant. Indeed, under the National Audit Office communication with component auditors recently issued in August 2014, this area was specifically mentioned as a significant risk area which would require any breaches to be considered as "irregular" and therefore a report to be made to the EFA and the National Audit Office.

It is probably worthwhile covering the area regarding the transactions with connected parties in slightly greater depth.

Academies may wish to purchase goods or services from people who are connected to it such as members,

trustees, or the Key Management Team. From 7 November 2013 trusts have not been permitted to enter into any new transactions with connected parties unless they can be satisfied that those transactions are "at cost" and that the connected party is not making any profit from their relationship with the trust.

Transactions such as these will be required to be disclosed with other related party transactions in the Academies annual accounts and Peter Lauener indicated in his letter that his staff had been reviewing all such transactions from the latest set of Academy financial statements. Specific areas that need to be considered by the accounting officer and trustees are as follows:-

1. Have declarations been received from all members, trustees and key management with details of business interest?
2. Has any person, identified as a party connected with the procurement, been excluded from the selection process? Has this been evidenced?
3. Is there a proper selection process carried out and does this comply with a pre-determined objective criteria of the selection?
4. Should the procurement be awarded to a connected party for goods or services? Have assurances been obtained from the supplier providing goods or services at cost?
5. Are members, trustees and key management confident of not gaining any private or personal commercial or financial benefit as a result of their position other than under their contracts of employment?

September 2014

6. Are any consultancy fees for work carried out by employees appropriate and being remitted to the Academy rather than to the individuals?

Section 2.6 The Academies Financial Handbook gives greater details about connected people and any form used for the declaration of such should cover these individual points:-

- Persons are connected to a member or trustee if they are a relative of the member or trustee, the relative is a close family member or member in the same household to include children, parents, spouses or civil partner.
- Any individual organisation carrying out a business in partnership with the member, trustee or relative of the member of the trustee, a company in which a member or the relative of the trustee holds more than 20% of the share capital has control over voting powers of 20% or more of the voting capital.
- Any organisation which is controlled by a member or the relative of a member acting together or separately.

The cost of any such contract with a connected party should be supported by a statement of assurance confirming that the contract does not exceed the cost of the goods or services. The full costs include all direct costs and any indirect costs but should not include any element of profit.

Finally, the supplier should also confirm an open book agreement including a requirement for the supplier to demonstrate clearly if requested any charges do not exceed the cost of supply.

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Other areas of concern identified by the National Audit Office

- Misuse of funds by heads
- Weaknesses in governance at trust level
- Weaknesses in procurement practice
- Extra-contractual severance payments or compromise agreements
- Compliance with delegated authorities

Delegated authorities

Academies should be aware of the areas mentioned below together with their related limits. For anything above these limits, the EFA should be contacted and approval sought and given before an Academy can proceed.

	2014
Write offs and liabilities (including guarantees)	1 – 5% or £45,000
Non statutory severance and compensation	£50,000
Acquisition & disposal of freehold land & building	£nil
Land & building leasehold arrangements	£nil
Finance leases	£nil
Novel & contentious and other special payments	£nil
Borrowing (including overdraft facilities)	£nil

Changes from 1 September 2014

- There is a de-minimis of £2,500 on the ‘at cost’ requirements applying to connected parties. Above this limit academies must pay connected parties at no more than cost
- Additional reporting for fraud; any fraud individually or collectively of £5,000 or more must be notified to the EFA
- The audit committee should not include any employed staff

Gift Aid

Many donations made to school charities are eligible for Gift Aid and many trusts are missing out on this valuable income.



HMRC reference guide provides scenarios and simple examples to help you understand what qualifies for Gift Aid. www.hmrc.gov.uk/charities/gift_aid/rules/school-charities.htm

Trusts must apply to HMRC and receive a charity reference number prior to making any claims for gift aid.

Significant dates for Academies

December 2014

- academy trusts submit their audited financial statements, auditor’s management letter and value for money statement as at 31 August 2014 by 31 December

January 2015

- submit their accounts returns for year ending 31 August 2014 by 31 January
- academy trusts must publish their financial statements and value for money statements as at 31 August 2014 on their school websites by 31 January

June 2015

- academy trusts that did not prepare audited financial statements as at 31 August 2014 or opened new academies between 1 September 2014 and 31 March 2015 must submit their March accounts return for period ending 31 March 2015

July 2015

- academy trusts open as at 31 March 2015 submit their budget forecast return for 2015 to 2016 by 31 July

Tom York
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Disclaimer:

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

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If you think this information might be useful to a friend or colleague, please pass it on.

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