



Education & Skills
Funding Agency

Supplementary Bulletin to the College Accounts Direction 2019-20 and the Post-16 Audit Code of Practice 2019-20

July 2020

Contents

Part 1: Introduction	2
Part 2: Regularity and audit implications	2
2.1 Introduction	2
2.2 Regularity self-assessment questionnaire	3
2.3 Regularity report	3
2.4 Auditor judgement	3
2.5 PPN 02/20 and value for money	4
2.6 Adult Education Budget (AEB)	5
Part 3: Financial Sustainability	5
Part 4: Trustees' Report	6
Part 5: Financial Support for COVID-19	7
5.1 Introduction	7
5.2 Provider relief schemes	7
5.3 Coronavirus Job Retention Scheme (CJRS)	8
5.4 Coronavirus business interruption loan scheme	9
5.5 Cashflow support	9
5.6 Free school meals	9
Part 6: Further Guidance	10

Part 1: Introduction

- 1.1. This supplementary bulletin should be read in conjunction with and has the same status as the [College Accounts Direction 2019 to 2020](#) (CAD) and the [Post-16 Audit Code of Practice 2019 to 2020](#) (P16ACOP). It does not change any of the existing requirements of the CAD or the P16ACOP, including the requirement to submit an audited annual report and financial statements to the ESFA by 31 December 2020. However, it does introduce a small number of additional requirements that college corporations must comply with.
- 1.2. The bulletin also aims to provide guidance to principals/accounting officers, governors as charity trustees and their external auditors / reporting accountants on matters arising from the COVID-19 pandemic which may impact on the corporation's accounts for the year ending 31 July 2020. ESFA may issue further guidance or requirements as appropriate.
- 1.3. We recognise the unprecedented challenge all college corporations face in dealing with the COVID-19 pandemic and appreciate this has significantly affected the day to day operations of all corporations, whilst also presenting unique challenges to each individual college. We also appreciate that external audit teams will be considering the implications of COVID-19 in their own risk assessments prior to the start of their audit work.
- 1.4. While we empathise with these challenges, this also means that ensuring and maintaining strong financial governance is as important as ever.

Part 2: Regularity and audit implications

2.1 Introduction

- 2.1.1 The scope of the audit and regularity assurance engagement remains unchanged—it should cover, at least, income and expenditure, including any Covid-19 funding, as well as the authorities which govern them. ESFA is not seeking any additional assurance from reporting accountants and has not removed any existing guidance.
- 2.1.2 We recognise that the audit process itself may be significantly affected by the COVID-19 related measures in place prior to and at the time of the audit, for example audit timeframes may be affected by restrictions in on-site working. This may include the auditors being prevented from physically visiting the college, or reduced access to key people and documentation.

2.1.3 Additionally, internal audit work may have been prevented from proceeding as planned. In these circumstances the corporation may have had to put alternative measures in place, such as remote audit or alternative procedures, to allow the audit committee to report to the board on its activities and conclusions. The Chartered Institute for Internal Auditors has provided [guidance](#) on issues internal auditors may face.

2.1.4 We understand that corporations and their auditors are currently discussing these issues and considering how the audit plan can be best implemented. We encourage corporations to contact ESFA if issues arise which mean they are unable to meeting the submission deadline.

2.2 Regularity self-assessment questionnaire

2.2.1 To aid corporations in their assessment of regularity relating to COVID-19 issues, and to clarify the key considerations in this regard, Annex A sets out additional issues for corporations to consider. A copy of this completed Annex must be signed by the accounting officer and chair of governors and provided to the reporting accountant, alongside the standard Regularity Self-Assessment Questionnaire.

2.3 Regularity report

2.3.1 The work of the external auditors on the financial statements and of reporting accountants on regularity remains key to the ESFA's overall assurance framework. Therefore, the format of the regularity report published in the P16ACOP remains unchanged from previous years.

2.4 Auditor judgement

2.4.1 The implications for the audit of the impacts of COVID-19 are a matter of the professional judgement of each auditor and reporting accountant. The Financial Reporting Council has provided [guidance](#) for auditors on the impact of Covid-19. They will take account of a range of factors in determining the implications for their audit and the audit work necessary. When considering the corporation's activities these may include:

- Capacity: To what extent were the governance and control arrangements, staffing levels and operations of the corporation affected by COVID-19? If alternative arrangements were considered necessary, was there anything to suggest the approach taken was not reasonable and practical under the circumstances at the time?
- Proactivity: At what point were the financial control and regularity issues faced, for example difficulty in segregating duties as a result of staffing

shortages, identified by the corporation? If appropriate, did it seek ESFA or DfE guidance on particular matters? Did it consult with other corporations in similar situations?

- Reaction: Did the corporation attempt to take retrospective or redressive action after the event (if appropriate)?
- Evidence: Has the corporation retained a documented trail of its decision-making process, including the rationale for the decision and details of those employees or corporation leaders involved?

2.5 PPN 02/20 and value for money

- 2.5.1 [PPN 02/20](#), issued in March 2020 by the Cabinet Office, provides information on how entities may support their suppliers in certain circumstances and the regulatory implications of this. Supporting guidance and a subsequent note, [PPN 04/20](#), have since been issued to build upon the original information. These Procurement Policy Notices may be relevant to college corporations and should be considered, where appropriate.
- 2.5.2 The purpose of the guidance is to ensure service continuity during and after the COVID-19 outbreak. It effectively allows in-scope entities to take a longer-term approach to obtaining value for money when procuring goods and services. Such purchases, where they meet the conditions of the note, are not considered to be regularity breaches. The notices need only be applied in circumstances where corporations have a concern that a supplier may not be able to continue to provide them with a required product/service.
- 2.5.3 In particular, corporations should note that whilst [Managing Public Money](#) prohibits payment in advance of need in absence of Treasury consent, Treasury has granted consent for such payments (with limits) where the corporation's accounting officer is satisfied that a value for money case is made by virtue of securing continuity of supply of critical services in the medium and long term. Examples of such costs for corporations could include exam board fees.
- 2.5.4 DfE has also published [guidance](#) on the application of the notices, which includes information to determine whether a corporation is within scope.
- 2.5.5 Reporting accountants should take account of the requirements of the notices so that they can decide whether its application has any implications for their report on regularity.
- 2.5.6 Accounting officers must reflect cases where the notes have been applied in the governance statement. They should also explain any situations where COVID-19

has adversely impacted on value for money, if applicable.

2.6 Adult Education Budget (AEB)

2.6.1 Colleges and their auditors should consider the implications of [Maintaining education and skills training provision: further education providers](#), particularly the funding flexibilities offered for the year 2019 to 2020 in respect of 16-19 funding, adult education budget and advanced learner loans bursary fund, detailed in section 5(a).

Part 3: Financial Sustainability

3.1 The nature and scale of the virus and the measures introduced to tackle it will have had a significant impact on all aspects of corporations' finances, budgeting and strategic planning. We recognise that this will be an area of significant concern for corporations and therefore it is vital that timely and accurate information is produced to monitor their financial sustainability. Key considerations may be:

- the impact of different scenarios and the sensitivity of the financial information produced
- the impact on KPIs and key funding streams
- the availability of external finance
- government assistance received
- the impact on accounting estimates
- the implications for carrying values of assets and liabilities

3.2 This information will also be highly useful to auditors in supporting their conclusion on going concern.

3.3 Due to the crisis and its economic impact, there is likely to be greater scrutiny by auditors and other stakeholders of the corporation's going concern assessment. Corporations will need to carry out robust scenario planning and build this into their forecasts.

3.4 There may be further implications for corporations reliant on bank borrowings, as an impaired financial performance and position may adversely affect compliance with bank loan covenants. Corporations are advised to ensure that conversations with their lenders take place promptly where covenants are in danger of being breached, to mitigate the risk that amounts will become repayable on demand.

3.5 If bank covenants have been breached, the going concern assessment within the financial statements should include a summary of the outcome or status of negotiation with the lender, including whether waivers have been obtained. The

outcome of these negotiations is likely to be critical to corporations in determining whether the borrowings are classed as short or long-term in the financial statements, and so constitutes a major factor in the determination of solvency as well as the formal assessment of financial health.

Part 4: Trustees' Report

- 4.1 The Charities SORP Committee has issued [advice on the financial reporting implications](#) that may arise from the measures being put in place to contain the impact of COVID-19 virus. Whilst college corporations are not within the scope of the Charities SORP, they nevertheless are charities and the advice issued provides a useful guide on the disclosures which may be helpful to users of the financial statements. The guidance is advisory and aims to assist the preparers, auditors and examiners of accounts.
- 4.2 The advice states that trustees will need to consider the impact on the financial statements, as a result of the changing activities of the charity itself. Trustees will also be aware that it will be important to provide users of the accounts with information about the material decisions they have had to take on judgements and uncertainties.
- 4.3 The following list is based on the advice and covers areas trustees may wish to consider when preparing their trustees' report (referencing relates to SORP paragraphs).
- In reporting the main achievements of the academy trust (paragraph 1.20) explaining how the virus control measures affected their activities
 - Taking the opportunity to explain any financial uncertainties regarding the academy trust's financial sustainability and consideration of going concern (paragraph 1.23) and the steps being taken to address these uncertainties
 - Explaining how the contribution of volunteers, where appropriate, assisted the academy trust in its work in managing in the changed circumstances (paragraph 1.39)
 - The impact on the academy trust's ability to fundraise (paragraph 1.41) and how the trustees managed this situation
 - How the outbreak of the virus has affected staff, volunteers and beneficiaries (such as the academy trust's pupils) and the implications for the academy trust's operations and activities for the coming year (paragraph 1.45)
 - How the financial and operational effects of the virus and the control measures relating to the virus affected the principal risks and uncertainties facing the academy trust during the reporting period (paragraph 1.46)

- Give consideration whether there are any implications for any existing or potential defined benefit pension liability (paragraph 1.47) and investments the academy trust holds (paragraph 1.47)
- Consider any impact on the academy trust's reserves policy, level of reserves and any change to funds set aside for future commitments (paragraph 1.48)
- Consider the likely impact of the virus control measures and potential duration of the control measures on the future aims and activities of the academy trust (paragraph 1.49)
- The impact of the virus-related control measures on any wider network of which the academy trust is a part and how this affects the academy trust's operations (paragraph 1.51)

4.4 Further guidance is also available on the Financial Reporting Council website at <https://www.frc.org.uk/covid-19-guidance-and-advice>.

Part 5: Financial Support for COVID-19

5.1 Introduction

5.1.1 Corporations may have received funding from the government to support them financially whilst Covid-19 is ongoing, such as:

- [COVID-19: Financial support for education, early years and children's social care](#)
- [ESFA post-16 provider relief schemes](#)
- [16 to 19 funding: free meals in further education funded institutions for 2019 to 2020](#)
- other public sector support, such as the [Coronavirus Job Retention Scheme](#)

5.1.1 Whilst the basic accounting principles for recognising income and expenditure apply to these transactions, additional disclosures are required within the financial statements for corporations in receipt of this funding. The additional disclosures required are set out below.

5.2 Provider relief schemes

5.2.1 A corporation may receive funding through a Provider Relief Scheme, which will be paid on top of the regular payment claimed via the ILR, subject to a funding cap.

5.2.1 Amounts received under these schemes should be set out separately within the financial statements as non-recurrent funding body grants. The corporation should also provide a narrative disclosure on the related costs incurred.

5.2.2 The note below shows how corporations should set out these transactions within the financial statements.

Funding body grants	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency – adult education budget	x	x	y	y
Specific grants				
Education and Skills Funding Agency – provider relief scheme	x	x	-	-
Total	x	x	y	y

Under the provider relief scheme, the corporation received funding of £x from the ESFA. This amount was fully spent in the year.

OR

Under the provider relief scheme, the corporation received funding of £z from the ESFA. Of this, £x was spent in the year. The remaining funding [will be/has been] repaid.

5.3 Coronavirus Job Retention Scheme (CJRS)

5.3.1 Corporations may have furloughed staff under the CJRS, subject to the certain conditions being met. The conditions are set out in COVID-19: Financial support for education, early years and children's social care.

5.3.1 Amounts received under this scheme should be shown separately within the financial statements. The associated costs should be accounted for within the staff costs note, but corporations should include a narrative stating the roles of furloughed staff.

5.3.2 The note below shows how corporations should set out these transactions within the financial statements.

Other grants and contracts	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Coronavirus Job Retention Scheme grant	x	x	-	-
Total	x	x	-	-

The corporation furloughed [insert roles of furloughed staff, for example, 'some of the catering staff'] under the government's Coronavirus Job Retention Scheme. The funding received in respect of x staff of £x relates to staff costs which are included within the staff costs note below as appropriate.

5.4 Coronavirus business interruption loan scheme

5.4.1 Where a corporation has obtained additional bank borrowings under the Coronavirus Business Interruption Loan Scheme, a disclosure describing the support received as a result of the COVID-19 crisis must be made within the notes to the financial statements.

5.4.1 The amounts should be recognised as bank loans within the creditors notes, and a narrative disclosure should include details of the scheme as follows:

The corporation took out a loan of £x in [Month] under the Coronavirus Business Interruption Loan Scheme. This is shown above as a bank loan. The loan term is y years. The interest and fees in relation to this loan have been paid by the government in the first year in line with the terms of the scheme.

5.5 Cashflow support

5.5.1 Where a corporation has received additional support in the form of recoverable cashflow assistance, for example under the PPN02/20, this fact should also be disclosed in the financial statements, along with a description of the amount and nature of the support provided.

5.6 Free meals in further education funded institutions

5.6.1 Where a corporation has participated in the national voucher scheme for free meals in further education funded institutions, they have acted as a facilitator for the distribution of voucher from the scheme provider to the eligible students.

5.6.1 Corporations will not have incurred any exceptional costs or received any additional funding in respect of this scheme. The amounts received and disbursed should be disclosed as agency payments within the notes to the financial statements.

5.7 Other funding

5.7.1 Corporations may have received COVID-19 related funding which is not covered by the examples above. In these instances, corporations should consider the legitimate public interest in the impact of COVID-19 on publicly funded bodies and the expectations of the users of their accounts that they should be as transparent as is practical, but should nevertheless apply judgement to determine the level of disclosure required. They should consider whether amounts are material by nature or amount to users of the financial statements and refer to the above

example for guidance on how ESFA expects such information to be disclosed.

- 5.7.2 This bulletin does not cover funding receivable in respect of costs incurred in 2020 to 2021, including the 16 to 19 tuition fund recently announced by the ESFA.

Part 6: Further Guidance

- 6.1 Additional guidance in respect of the impact of Covid-19 on corporations' accounts may be issued by the ESFA where necessary.

ANNEX A

Accountability requirements	Questions	Corporation response (compliance and evidence)	Evidence and references
<p>Where PPN 02/20 has been applied the required conditions have been met and the corporation has given due consideration to value for money.</p>	<p>The guidance issued in May 2020 suggests a five-stage approach to applying the note. Has this been followed and documented?</p> <p>Otherwise, or where the note has been applied prior to the guidance being issued, has the corporation given due consideration as to how the conditions of the note have been met? For example:</p> <ul style="list-style-type: none"> - Does the contractual relationship with the supplier meet the requirements for PPN 02/20 to be applicable? - Has the Accounting Officer documented their reasoning as to how they are satisfied that value for money has been obtained? - How is the corporation satisfied that the supplier has acted transparently? - Has the corporation enquired as to what other COVID-19 support the supplier has received, to prevent double funding? 		
<p>The coronavirus job retention scheme has been appropriately applied.</p>	<p>Where the scheme has been applied by the corporation, can it be demonstrated that the conditions of the funding have been met? Namely:</p>		

Accountability requirements	Questions	Corporation response (compliance and evidence)	Evidence and references
	<ul style="list-style-type: none"> • the employee works in an area of business where services are temporarily not required and whose salary is not covered by public funding • the employee would otherwise be made redundant or laid off • the employee is not involved in delivering provision that has already been / is being funded • (where appropriate) the employee is not required to deliver provision for a child of a critical worker and/or vulnerable child • the grant from the Coronavirus Job Retention Scheme would not duplicate other grants received and would not lead to financial reserves being created <p>Have communications to furloughed employees confirmed that work for the corporation cannot be undertaken when the employee is under furlough?</p> <p>Where necessary, have contractual changes been discussed and appropriately communicated? Has legal advice been sought where necessary?</p> <p>Have payments continued to staff as usual, and do the funding receipts reconcile to the</p>		

Accountability requirements	Questions	Corporation response (compliance and evidence)	Evidence and references
	amount paid to employees?		
<p>Where the usual internal control procedures and lines of reporting and approval have been interrupted, the corporation has put appropriate measures in place to ensure good governance is maintained.</p>	<p>Where capacity issues with staffing levels mean that segregation of duties cannot not be performed or approval cannot be obtained as required by the college's finance regulations, has the corporation ensured that appropriate alternative measures have been / are being established? Has / is appropriate retrospective action been / being taken?</p> <p>Where the corporation had cause to deviate from its normal procurement procedures, for example because of suppliers not being available, has this been documented and has approval been obtained from the board or finance committee, as required?</p> <p>Where online working means that access to documentation is limited, has the corporation take action to ensure that decisions are taken based on the best available information?</p> <p>Are governance procedures, such as board meetings and regular communication with the chair, maintained wherever possible?</p> <p>Has appropriate documentation been retained?</p>		

Accountability requirements	Questions	Corporation response (compliance and evidence)	Evidence and references
	<p>Have any disruptions to internal control procedures and the mitigating actions been reported by the audit committee?</p>		
<p>The corporation has taken appropriate additional measures, where required, to adjust to the impact of COVID-19.</p>	<p>Where processes have moved online, secure systems have been established to reduce the threat of cyber-security issues.</p> <p>Where corporations have closed campuses and reduced the use of college buildings, have security measures been implemented to ensure safeguarding of the corporation's property?</p> <p>Has an appropriate level of consultation taken place to ensure the corporation is monitoring its financial position and activities (including the need to request exceptional funding and incur exceptional costs) appropriately?</p>		