Education Funding Agency

Academies accounts direction 2013 to 2014

For academy chief finance officers, auditors, accounting officers and trustees

For periods ending 31 August 2014

Published: May 2014

Contents

Introduction to the current edition

The Academies Accounts Direction 2013 to 2014 is a reference pack for academy trusts to use when preparing their annual reports and financial statements for accounting periods ending on 31 August 2014. It also supports auditors with their audit of the financial statements.

The Accounts Direction is published by the Education Funding Agency (EFA) as the agent of the Secretary of State for Education. The Department for Education (DfE) has ultimate responsibility and accountability for the financial framework for academy trusts, which it describes in the Academies Financial Handbook. The Accounts Direction supplements the handbook and has the same status as the handbook in that it derives from requirements set out in academy trusts' funding agreements with the Secretary of State.

The requirements for academy trusts are to:

- prepare an annual report and financial statements (sometimes referred to in this document as 'accounts') to 31 August 2014, unless the trust is extending its first accounting period to 31 August 2015 under section 1.4.5 of the Accounts Direction;
- have these accounts audited by an independent auditor;
- submit the audited accounts to EFA by 31 December 2014;
- file the accounts with the Companies Registrar as required under the Companies Act 2006;
- arrange an independent review of regularity and include a reporting accountant's report on regularity as part of the accounts.

The Accounts Direction helps academy trusts by explaining the elements to be included in the accounts and the accounting treatments required. It also provides a model format for the accounts to aid consistency of treatment between academy trusts.

Action for new academy trusts by 30 September 2014

New academy trusts, including free schools, studio schools and university technical colleges, that have been incorporated by 31 August 2014 should review carefully whether they:

- are required to submit **audited accounts to EFA for the period to 31 August 2014**; or
- are permitted under the Accounts Direction to defer their first **audited accounts to 31 August 2015**; or

- are permitted under the Accounts Direction to prepare **dormant accounts to 31 August 2014**.

These requirements are described in sections 1.4 and 1.5. It is important that new trusts apply the requirements correctly to avoid potential action by EFA.

If a new academy trust intends to defer their first accounts to 31 August 2015, or submit dormant accounts, they must notify EFA of their intentions at academy.questions@education.gsi.gov.uk **by 30 September 2014**.

If a new trust would first like to discuss how the requirements apply to them, they can also contact EFA at academy.questions@education.gsi.gov.uk.

Please quote the subject matter (eg 'dormant accounts') and your academy trust name in the email title whenever you contact the EFA's academies enquiries service.

Action for external auditors

Academy trusts' external auditors should ensure they are familiar with all of the reporting, disclosure and audit requirements set out in the Accounts Direction. The following sections are particularly relevant to auditors:

- Part 5: Auditor's reports
- Part 10: Regularity reporting

There have been a number of updates to part 10 in this edition of the Accounts Direction and auditors should review it carefully when planning their audit approach and their regularity testing.

What has changed in this edition?

The main changes in the Accounts Direction for 2013 to 2014 are as follows.

Audit

- We have included additional information on the content of the auditor's **management letter** [part 1.6.2 and parts 10.3.10 - 10.3.12].
- We have updated the guidance to support the **independent review of regularity** [part 10]. This includes revised guidance on the areas to test that provide evidence of regularity, and also greater discussion about the impact of materiality on the review. We have confirmed that the review remains on a limited assurance basis.
- When referring to the regularity review, references to the 'external auditor' have been replaced with '**reporting accountant**', as the regularity work is not a statutory audit, although the external auditor and the reporting accountant must be the same person [part 10.1.11].

Governance

- We have provided further information about the meaning of the term 'member'.
- We have explained that the **method of submitting** the accounts and management letters to EFA may change and will be confirmed nearer the due date [part 1.6.3].
- Emphasis has been placed on the **timeliness of submitting** the accounts [part 1.6.4].
- Emphasis has been placed on having adequate arrangements in the event of the absence or departure of **key signatories** [part 1.6.7 and parts 10.2.22 - 10.2.23].
- We have brought forward the date by which trusts must **publish accounts** on their website from 31 May to 31 January [part 1.6.9].
- We have confirmed that trusts should retain full accounts on their **website** in respect of at least two years [part 1.6.11].
- Disclosure in trusts' annual reports of the **names of the trust's members** has been introduced to aid transparency, alongside existing disclosure of the names of trustees [part 3 and part 4.1.12].
- We have re-ordered and updated some sections of the **trustees' report** to reflect the withdrawal of the requirement under the Companies Act for a business review, and its replacement with a **strategic report** [part 3 and part 4.1.8]. Suggestions for additional information have also been included, comprising a scene setter about the trust, a discussion of the role and contribution of the sponsor, and examples of measures of achievement.
- The **governance statement** emphasises the inclusion of outcomes from any reviews of governance [part 3 and part 4.2.4].
- We have updated the accounting officer's **statement on regularity, propriety and compliance** to require disclosure on the face of the statement of any instances of material irregularity, impropriety and funding non-compliance [part 3 and part 4.3.2].

Financial reporting

- We have included guidance about the treatment of **fixed assets** funded from unrestricted funds [part 3 and part 6.1.11].
- The **disclosure requirements for transactions** covered by section 2.4.33 of the Academies Financial Handbook 2013, have been set out in the model accounts [various sections in part 3]. This relates to ex-gratia/compensation payments, gifts and losses (note 7), staff severance payments (note 10), acquisition and disposal of freehold/leasehold land and buildings, and

disposal of heritage assets (note 13) and guarantees, letters of comfort and indemnities (note 25).

- We have introduced minor updates to the layout of disclosures for **boarding activities** in notes 7 and 8 of the model accounts [part 3].
- To align better with Statement of Standard Accounting Practice (SSAP) 21, we have split the disclosure of **operating leases** in note 7 between plant and machinery and other leases [part 3], although at note 20 the split remains between land and buildings and other leases.
- Disclosure of **expenditure on charitable activities** and on **governance** in notes 8 and 9 has been simplified and is no longer analysed 'by fund' [part 3].
- We have updated the text for the disclosure note on the **Teachers' Pension Scheme** [part 3].
- In note 28, we have added standard disclosure relating to the **Local Government Pension Scheme guarantee** offered by the Secretary of State in the event of academy closure, as announced in EFA e-bulletin 38 on 17 October 2013 [part 3].
- We have included further information on applying a '**capitalisation limit**' for fixed assets [part 7.3.9].
- We have also included further information about the valuation of **investment assets** [part 7.3.16].
- We have updated the list of funding streams that comprise **General Annual Grant (GAG)** for the purposes of calculating amounts carried forward at year end [part 7.4.7].
- We have emphasised that the disclosure of **related party transactions** must state whether the transactions were at arm's length. If no related party transactions took place this must be disclosed [part 3 and part 7.6.11].
- We have introduced guidance about the disclosure of **operating leases** [parts 7.8.1 - 7.8.2].
- We have updated the disclosure note for **multi-academy trusts** (MATs) so that **trusts with no central management services** and/or no central charges arising must disclose this fact in the accounts in the 'central services' note [part 8.1.7].
- The new version emphasises that the disclosure of fund balances and costs for **constituent academies within a multi-academy trust** applies to all MATs [part 8].
- We have emphasised the relevance of accounting for **long leasehold buildings**, including those leased from local authorities or faith bodies, based on the substance of the lease rather than on its legal form [part 8.6.10].

- There is updated guidance on the **disclosure of predecessor school assets and liabilities** in a converter academy trust's first set of accounts, and enhanced specimen disclosures [part 8.7].

The meaning of 'trustee', 'director' and 'governor'

In this document there are frequent references to trustees. This is the same body of people as both the directors of the company and the governors of the academy; these words are used interchangeably.

They are the people responsible under the academy trust's articles of association for controlling its management and administration. They have responsibility for directing its affairs, and for ensuring that it is solvent, well-run, and delivering the trust's charitable outcomes for the benefit of the public.

Single-academy trusts have members and trustees. Multi-academy trusts have different governance arrangements because they are established to oversee and manage more than one academy. They typically have members, trustees and local governing bodies. Individuals who sit on a local governing body at a constituent academy in a multi-academy trust may not necessarily be trustees of the overall trust but can have duties delegated to them by the trustees.

Individuals must ensure that they fully understand their duties as company directors and charity trustees. The duties of company directors are described in sections 170 to 181 of the Companies Act 2006. The role and duties of charity trustees are described by the Charity Commission in their guidance CC3: The Essential Trustee: What You Need to Know.

The meaning of 'member'

The members of an academy trust have a different status from the trustees. The members are the subscribers to the trust's memorandum of association, and any other individuals permitted to become members under its articles of association. Members have an overview of the governance arrangements of the trust and have the power to appoint trustees and remove those trustees.

Members can amend the articles and may do so to support stronger governance arrangements. For details on making changes to the articles, including circumstances in which Charity Commission approval is required, please see the Charity Commission's guidance CC36: Changing your Charity's Governing Documents.

While members can also be trustees, retaining some distinction between the two layers ensures that members, independent of trustees, provide oversight and challenge. This is especially important in multi-academy trusts in which trustees are responsible for a number of academies.

Academy trusts should be established with three members, although DfE encourages trusts to have at least five members in total, as this:

- ensures enough members can take decisions via special resolution (which requires 75% of members to agree) without requiring unanimity; and
- facilitates majority decisions being taken by ordinary resolution (which requires a majority of members to agree).

Structures in which members are also employees are not considered by DfE to be an effective model of governance for an academy trust.

Part 1: Basic requirements and timetable

1.1 Who the Accounts Direction is for

1.1.1 The purpose of the Accounts Direction for 2013 to 2014 is to help academy trusts and their external auditors to produce audited financial statements and the accompanying annual reports. For ease, these documents may be referred to as the ‘accounts’.

1.1.2 The Accounts Direction applies to all types of academy trust including:

- single and multi-academy trusts
- traditional sponsored academies
- converter academies
- free schools
- studio schools
- university technical colleges
- special school academies

1.1.3 It is for use primarily by:

- academy chief finance officers (e.g. finance directors)
- academy external auditors/reporting accountants

but will also be of interest to:

- academy accounting officers (principals and chief executives), in particular section 10.2
- academy trustees

1.1.4 Academy trusts must use it to produce accounts for the period ending 31 August 2014.

1.2 Basis for preparing accounts

1.2.1 Academy trusts are both exempt charities and companies limited by guarantee. This means that:

- as **exempt charities** they are exempt from registration at the Charity Commission and are instead regulated by the Secretary of State for Education, with EFA as his agent; and

- as **charitable companies** they must comply with company law as set out in the Companies Act 2006, and with charity law as set out in the Charities Act 2011.

1.2.2 One of the key requirements of the Companies Act 2006 is for companies to produce annual accounts that are 'true and fair' and to have these independently audited. This applies to academy trusts. There is a hierarchy of rules and documents that supports the preparation of the accounts:

- **Companies Act 2006** – this sets out the statutory form, content and audit arrangements for accounts in broad terms;
- **Accounting standards** – the Financial Reporting Council converts the Companies Act's requirements into detailed accounting rules in the form of accounting standards;
- **Charities SORP** – the Charity Commission takes the accounting standards and translates them into a form relevant to the charities sector, called the 'Statement of Recommended Practice – Accounting and Reporting by Charities 2005 (updated 2008)', which is usually just referred to as the Charities SORP;
- **Academies Accounts Direction** – EFA takes the Charities SORP and translates it into a form relevant to academy trusts, as an annual Accounts Direction.

1.3 Summary of Accounts Direction contents

1.3.1 All of the above documents apply to academy trusts but the Accounts Direction aims to bring them together and act as the primary reference source for trusts when they produce their accounts. It does this by:

- defining the **reporting timetable** to which academy trusts must work (part 1);
- clarifying the **elements** making up the accounts (part 2);
- providing **model accounts**, based on an imaginary academy trust called Coketown, so that trusts can see what the accounts need to look like (part 3). The accounts must be prepared in accordance with the SORP and the Accounts Direction, unless dormant accounts are produced. The figures included in the Coketown model are for illustrative purposes only;
- giving guidance on **each component** of the accounts (parts 4 to 7);
- explaining what the **audit requirements** are (parts 5 and 10). The accounts must be audited in all cases, unless dormant accounts are produced. Aside from the requirements in the Companies Act, an annual audit is a requirement of academy trusts' funding agreements. This recognises that they are supported largely by public funds;

- discussing some of the **accounting issues** that trusts will commonly encounter (part 8);
- providing some simple optional **checklists** to facilitate the accounts preparation process (part 9);
- providing guidance on the review of **regularity** (part 10); and
- giving links to other sources of information (annex A).

1.3.2 In prescribing the format of accounts the Accounts Direction also aims to reduce diversity in accounting practice within the sector, so that results can be compared more readily.

1.4 Period of account

1.4.1 When preparing accounts, academy trusts must be clear about:

- the duration of their accounting period; and
- the end-date of their accounting period.

1.4.2 The position for established academy trusts

1.4.3 Academy trust accounts must be produced and audited for the **twelve month accounting period** ending on **31 August** as a condition of their funding agreement unless DfE has specified, exceptionally and in writing, that another date can be adopted. The twelve month period applies to all trusts that have previously published at least one set of accounts. The accounts to which this current edition of the Accounts Direction applies will therefore cover the period from 1 September 2013 to 31 August 2014.

1.4.4 The position for new academy trusts

1.4.5 New academy trusts that have not previously produced accounts are able to apply section 391(5) of the Companies Act 2006 that permits an initial accounting period (that is to say the period immediately after incorporation) of up to **eighteen months**. Taking 2014 as an example, the consequences of this provision are as follows:

- an academy trust **incorporated on or before 28 February 2014** should prepare its first accounts from its date of incorporation up to 31 August 2014 because deferral to 31 August 2015 would take it beyond the permitted eighteen month maximum period;
- an academy trust **incorporated on or after 1 March 2014** may, if it wishes, defer preparation of its first accounts to 31 August 2015. The accounts would therefore cover the period from the date of incorporation to 31 August 2015.

1.4.6 Note that it is the incorporation date (i.e. the date of company registration at Companies House), not the academy trust's operational opening date which is relevant to these provisions.

1.4.7 Accounting reference dates

1.4.8 Companies House refers to the date up to which accounts are prepared as the 'accounting reference date' and this is held as part of the company's record.

1.4.9 New academy trusts must ensure that their accounting reference date is set at Companies House to correspond with the date required under their funding agreement, which is usually 31 August. When the academy trust is first formed the accounting reference date will initially be set by Companies House to the last day of the month in which the trust's first anniversary falls. For example if the trust was incorporated on 6 April 2014 its first accounting reference date would be 30 April 2015, and 30 April for every year thereafter. The trust must change the date to 31 August as soon as possible after incorporation. Details of how to do this can be accessed through the Companies House website at GP2 - Life of a Company.

1.5 Dormant accounts

1.5.1 If an academy trust has been dormant for the full period between its incorporation date and 31 August 2014, it can apply section 480 of the Companies Act 2006 and prepare dormant accounts. In this context 'dormant' essentially means that the trust has made no accounting transactions in the period.

1.5.2 Dormant accounts are much simpler than full accounts. They must contain a balance sheet and a signed statement by a trustee (director) to the effect that the company was dormant during the period, but they do not need to include a statement of income and expenditure nor a trustees' (directors') report. Dormant accounts do not need to be audited.

1.5.3 If an academy trust prepares dormant accounts they must report to a period end date of 31 August 2014. Academy trusts that are dormant for only a portion of the period up to 31 August 2014 will instead need to produce full audited accounts in accordance with section 1.4.5.

1.5.4 Companies House provides guidance and a simple dormant accounts pro-forma in their guide GP2.

1.5.5 Submission and publication of dormant accounts is subject to the same key deadlines as full accounts, including submission to EFA by 31 December 2014.

1.6 Timetable for submission and publication of accounts

1.6.1 Action required by 31 December 2014 – reporting to EFA

1.6.2 The following documents must be submitted to EFA by 31 December 2014:

- **a copy of the audited accounts**, comprising:
  - **a trustees' report** – signed by a trustee (usually the chair);
  - **a governance statement** – signed by both a trustee (usually the chair) and the accounting officer;
  - **a statement on regularity propriety & compliance** – signed by the accounting officer;
  - **a statement of trustees' responsibilities** – signed by a trustee (usually the chair);
  - **an independent auditor's report on the financial statements** – signed by the auditor;
  - **an independent reporting accountant's report on regularity** – signed by a reporting accountant, who must be the same person as the external auditor of the financial statements;
  - **a set of financial statements and supporting notes** – including a balance sheet signed by a trustee (usually the chair);
- **a copy of the auditor's management letter** – this should usually cover:
  - the auditor's **approach** to the audit;
  - the **areas** covered by the audit;
  - the auditor's **findings**, including any significant concerns, if arising including ratings of the importance/risk, e.g. high/medium/low;
  - any audit **recommendations for the period**;
  - the trust's **response** to the auditor's recommendations including timescale for action;
  - the status of any audit **recommendations from the previous year**.

1.6.3 The accounts and management letter must be submitted to EFA electronically. **The method of submission will be confirmed by EFA nearer the due date**.

1.6.4 **Timely submission of accounts** to EFA is essential for giving assurance to Parliament that academy trusts have used public money for the purposes intended. EFA takes compliance with the deadline of 31 December seriously and may consider action against trusts that do not comply. This could include issuing a **Financial Notice to Improve**.

1.6.5 The board of trustees should agree with their auditor an accounts preparation and audit timetable that enables achievement of the 31 December deadline.

1.6.6 The timetable should incorporate the date of the trustees' meeting at which the accounts will be approved and signed.

1.6.7 The board should also consider arrangements in the event of the departure or long term absence of key signatories. For example if the trust's accounting officer leaves before the accounts are signed there should be sufficient briefing and/or information available to enable the new accounting officer to understand the key issues in the previous year, and to ensure the relevant reports accompanying the accounts are signed on time. If a replacement accounting officer (principal/chief executive) has not yet been appointed the trust should appoint an interim accounting officer (e.g. the senior leader acting as principal/chief executive).

1.6.8 Checklists and schedules of best practice are included in part 9 of the Accounts Direction to facilitate delivery of the accounts on a timely basis.

1.6.9 Action required by 31 January 2015 – publication of accounts on trust's website

1.6.10 Academy trusts are required to publish their accounts in full on their website. To maximise transparency and openness this should be done as soon as possible after the accounts are signed, but must be done by no later than 31 January 2015. The inclusion of a link to the Companies House website does not remove the requirement for full accounts to be published on the trust's website, as access to the accounts through Companies House may incur a charge.

1.6.11 The trust should retain accounts in respect of at least the previous two years on its website. For example the accounts for the period ending 31 August 2013 should remain on the website when the accounts for 31 August 2014 are uploaded.

1.6.12 Action required by 31 May 2015 – reporting to Companies House

1.6.13 In addition to submitting audited accounts to EFA, trusts must also file them with Companies House. Under section 442 (2a) of the Companies Act 2006 accounts must be filed with Companies House **within nine months of the end of the accounting period**. For most trusts this will be no later than 31 May 2015.

1.6.14 However, where an academy trust is preparing accounts for its first period after incorporation and is preparing them for a period of greater than twelve months, then under section 442 (3) of the Companies Act 2006 the accounts must be filed

within twenty one months of incorporation, or within three months of the end of the accounting period, whichever is later.

1.6.15 The consequences of this may be that some academy trusts (notably those incorporated during March 2013) may need to file their accounts with Companies House earlier than the date that they must be submitted to EFA.

1.6.16 Companies House will levy a penalty of at least £150 if accounts are filed late.

1.7 Coverage and queries

1.7.1 The Accounts Direction deals with circumstances applicable to the majority of academy trusts and does not seek to cover all eventualities. Academy trusts should therefore ensure they have access to adequate professional advice so that all relevant requirements are met. They should share the Accounts Direction, and discuss any queries regarding its content, with their external auditor in the first instance.

Part 2:Elements of the reports and financial statements

2.1.1 The accounts must include the following elements:

- **Reports**
  - a trustees' report
  - a governance statement
  - a statement on regularity, propriety and compliance
  - a statement of trustees' responsibilities
  - an independent auditor's report on the financial statements
  - an independent reporting accountant's report on regularity
- **Financial statements**
  - a statement of financial activities ('SOFA')
  - a balance sheet
  - a cash flow statement
  - notes which expand on the statements, including a note on the academy trust's accounting policies

2.1.2 They may also include (in rare circumstances) an income and expenditure account and a statement of total recognised gains and losses.

2.1.3 Together the accounts tell us about the trust's financial performance during the year and its financial position at the end of the year.

2.1.4 The accounts and notes must also provide comparative figures that show the financial performance during the previous year and the financial position at the end of the previous year (where a trust produced accounts for the previous year).

2.1.5 Part 3 sets out a model format for the accounts. Each element is discussed individually in the subsequent parts of the Accounts Direction.

Part 3: Model reports and financial statements

3.1.1 In this model document:

- text in black provides examples
- text in red indicates the source of reference material
- text in a blue box provides a description of information required, or to be omitted, as relevant

3.1.2 The examples provided include some income and expenditure lines with nil balances in both the current year and the previous year. These lines are included to illustrate where such items should be disclosed but, if both years are nil, you may omit the line.

3.1.3 Notes to the accounts that are not relevant to the academy trust may be omitted, unless specifically stated otherwise.

Coketown Academy Trust Limited
(A Company Limited by Guarantee)

Annual Report and Financial Statements

Year ended 31 August 2014

Company Registration Number:
01234567 (England and Wales

Period of account
For most academy trusts the period of account will begin on 1 September 2013 and end on 31 August 2014.

For new academy trusts preparing their first set of accounts the period of account will begin on their date of incorporation at Companies House and end on 31 August 2014. It may not therefore cover a period of exactly one year. In this situation the actual period of account should be stated.

Charity registration numbers
As academy trusts are exempt charities they must not describe themselves as being registered and may not use a registered charity number, even if they had one previously.

Coketown Academy Trust Limited
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Coketown Academy Trust Limited

Reference and Administrative Details

See the Charity Commission's document 'Accounting and Reporting by Charities: Statement of Recommended Practice 2005' (the SORP) paragraphs 41 – 43.

The information on this page must be included if relevant.

Members Include members in office on the date the financial statements are approved and any others who served during the year. This is an additional disclosure requirement in the Accounts Direction to promote transparency.	D Black A Cook S Martin (until 30 April 2014) T South (from 30 April 2014)
Trustees Include trustees in office on the date the financial statements are approved and any others who served during the year.	P S Small (chairman) C J Goodyear # K Harris* (appointed 2 March 2014) A McGuire (responsible officer) L Miller* J Murray (staff trustee) # O Reville (resigned 1 February 2014) T Sheraton* A Smith (staff trustee) G Smith (principal and accounting officer) C Wilkins # * members of the finance and general purposes committee # members of the audit committee
Company Secretary	P H Daniels
Senior Management Team:	
▪ Principal	G Smith
▪ Deputy principal	T Harvey
▪ Deputy principal	L Jones
▪ Deputy principal	M Patel
▪ Director of finance and administration	M Connor
Principal and Registered Office	10 Kings Street Coketown CK3 8QZ
Company Registration Number	01234567(England and Wales)
Independent Auditor	Dolittle Mawper LLP 186 Crown Street London, EC1
Bankers	Natland PLC 2 Lloyd Mews Coketown, CK1 4TY
Solicitors	Clifford Smith 13 Chancery Street Coketown, CK2 4XX

Coketown Academy Trust Limited

Trustees' Report

[discussion at part 4.1]

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period **[Insert the start date of the period for which the financial statements have been prepared. For a new academy trust preparing its first accounts this will be the date of incorporation. For other academy trusts this will be 1 September 2013]** to 31 August 2014. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

Whilst not a SORP requirement, trusts may find it helpful to insert a brief scene-setter here. Precise text and positioning would be at the discretion of the trust, but could be as follows:

The trust operates an academy for pupils aged 11 to 16 serving a catchment area in north Coketown. It has a pupil capacity of **x** and had a roll of **y** in the school census on **[date]** 2014.

Or:

The trust operates **x** primary/secondary/special academies in Coketown / the south east / across England. Its academies have a combined pupil capacity of **x** and had a roll of **y** in the school census on **[date]** 2014.

Structure, Governance and Management [see SORP paragraphs 44 – 46]

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of Coketown Academy Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as Coketown Academy.

Also include details of any other names by which the academy trust makes itself known.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page **[1]**.

Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £[X]*, for the debts and liabilities contracted before they ceased to be a member.

*As required in the academy trust's funding agreement/memorandum and articles of association.

Trustees' Indemnities [see Companies Act 2006 s236]

The Companies Act 2006 s236 requires disclosure concerning qualifying third party indemnity provisions.

The requirement in previous years to describe the trust's principal activities here has been removed from the Companies Act as this information can be found in the articles of association.

Method of Recruitment and Appointment or Election of Trustees

Describe these arrangements, as set out in the articles and funding agreement, including the name of any body or person entitled to nominate or appoint one or more trustees. This section must include the approach that is taken to recruiting new trustees.

Policies and Procedures Adopted for the Induction and Training of Trustees

Include details as determined and agreed by the trustees.

Organisational Structure

Include details of the organisational structure and how decisions are made. For example explain what decisions are reserved for the board of trustees, and those that are delegated to management, and the role of the chief executive and/or principal and senior management team and other relevant individuals. The expectation is that the principal will be the accounting officer in a single-academy trust and the chief executive will be the accounting officer in a multi-academy trust.

Connected Organisations including Related Party Relationships

Include details, including where the academy trust is part of a wider network such as a soft federation, explaining the relationship involved where this impacts on the operating policies. Details are also required of relationships with related parties and any other charities/organisations with which it cooperates in the pursuit of charitable activities. For sponsored academies the role and contribution of the sponsor should be explained.

Objectives and Activities [see SORP paragraphs 47 to 52]

This section should help the reader understand the purpose of the academy trust.

Objects and Aims

Include a summary of the objects of the academy trust as set out in the governing document and an explanation of the academy trust's aims.

Objectives, Strategies and Activities

This section should give an explanation of the main objectives for the year and the strategies for achieving them. Also include details of significant activities linking to the charitable activities.

Public Benefit

This section should address the activities undertaken to further the academy trust's purposes for the public benefit. A statement is required confirming that the academy trust's trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission (on their website at Charities and Public Benefit) in exercising their powers or duties. A definition of public benefit entities is included in the glossary to the SORP (item GL 49).

Strategic Report

Achievements and Performance [see SORP paragraphs 53 to 54]

Include information that enables the reader to understand and assess the achievements of the academy trust in the year, measured by reference to the aims and objectives that have been set, including a summary of the indicators, milestones and benchmarks used to assess achievements.

Key Performance Indicators

Under the Companies Act requirements for a strategic report this must include an analysis against key financial performance indicators and, where appropriate, an analysis using other key performance indicators including information relating to environmental and employee matters.

For example this could include, but may not be limited to, Ofsted inspection outcomes, examination / key stage results, pupil attendance data and pupil recruitment data, in addition to financial and investment performance. It could be presented as both achievements against objectives for the current accounting period, and as trends over time.

Going Concern

A statement by the trustees on the academy trust's ability to continue to operate as a going concern is required as best practice. The relevant guidance was issued by the Financial Reporting Council (FRC) in 2009, accessible at FRC Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009. An illustrative statement is below:

After making appropriate enquiries, the board of trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review [see SORP paragraphs 55 to 56]

This section should include a review of the financial position of the academy trust and a statement of the principal financial management policies adopted in the year. It should include the principal sources of funding and how expenditure has supported the key objectives of the academy trust. It should also include an explanation of the academy trust's reserves and investment policies.

Reserves Policy

This should state the trust's policy for building and maintaining reserves and why they are held. It should identify the value of free reserves held (being the income funds that are freely available for general purposes which, under the SORP, would generally be unrestricted funds) and may also disclose information on the policy and level of other reserves (eg restricted general funds).

Where material funds have been designated, the reserves policy statement should quantify and explain the purpose of the designations and, where set aside for future expenditure, the likely timing of that expenditure. Where any fund is materially in deficit, the academy trust should provide details of the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit. [see the Charity Commission document Charity Reserves and Defined Benefit Pension Schemes].

Disclosure of funds in deficit is also included in the Funds Note in the financial statements (note 17 in the Coketown Model).

Investment Policy

Include a paragraph explaining the powers that the academy trust has with regards to investments as the organisation will be holding cash balances and thereby technically making investment decisions. It must include a description of the investment policy and objectives and the extent (if any) to which social, environmental or ethical considerations are taken into account. Where investments are held then this information and details of investment performance against objectives should be included in the performance and achievements part of the report.

Principal Risks and Uncertainties

A statement must be included confirming that the major risks to which the academy trust is exposed, as identified by the trustees, have been reviewed, and that systems or procedures have been established to manage those risks. This statement should be considered at the same time that the Governance Statement is considered. Whilst a review of the text of this statement is required annually, the internal control systems and the exposure to risks are matters that must be considered on a regular basis by management and the trustees.

Under the Companies Act requirement for a strategic report the trust should include a description of the principal risks and uncertainties it faces, focussing on those that could seriously affect the performance future prospects or reputation of the trust, including its viability. This will link to the risk management process that the trust has in place.

In relation specifically to 'financial instruments' the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (SI 2008/410) Schedule 7 section 6(1) requires disclosure of the trust's financial risk management objectives and its exposure to financial risks including credit, cash flow and liquidity risks, unless not material for an assessment of its position and performance. However given the nature of academies, and that the financial instruments that they deal with are largely bank balances, cash and trade creditors, with limited trade (and other) debtors, it is likely that only minimal disclosure will be required. It is likely that such information will not be material to the assessment of the trust's assets, liabilities, financial position and its results and therefore detailed disclosure may not be required. Reference may be required to its defined benefit pension schemes, particularly where there is a deficit as this may be material.

Plans for Future Periods [see SORP paragraphs 57 to 58]

This must explain the plans for the future including the aims and key objectives set for future periods, together with details of any activities planned to achieve them.

Funds Held as Custodian Trustee on Behalf of Others [see SORP paragraph 59]

Details of assets and arrangements for safe custody and segregation should be given where the academy trust or its trustees are acting as custodian trustee. It should include the name and objects of the charity on whose behalf they are being held and how this activity falls within their own objective.

Auditor

Required under Companies Act 2006 s418 (2)

Insofar as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

A statement may also be included in respect of the reappointment of the auditor.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on **[date]** and signed on the board's behalf by:

[Signed]

[Name to be typed]
Trustee

Coketown Academy Trust Limited
Governance Statement

[discussion at part 4.2]

As central government public sector bodies academy trusts are required to provide assurance that they are appropriately managed and are controlling the resources for which they are responsible. This assurance must be communicated in a governance statement. The text of this statement will need to be amended to reflect the circumstances of the individual academy trust, particularly where it is a new academy trust.

Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that Coketown Academy Trust Limited has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board of trustees has delegated the day-to-day responsibility to the **[principal/chief executive],** as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Coketown Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The **board of trustees** has formally met **[x]** times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
P S Small (chairman)	3	3
C J Goodyear	3	3
K Harris (appointed 2 March 2014)	1	1
A McGuire (responsible officer)	3	3
L Miller	2	3
J Murray (staff trustee)	1	3
A Smith (staff trustee)	1	3
O Reville (resigned 1 February 2014)	2	2
T Sheraton	1	3
C Wilkins	3	3
G Smith (principal and accounting officer)	3	3

Describe here key changes in the composition of the board of trustees.
Describe also any particular challenges that have arisen for the board.

Governance reviews:

Describe any evaluation or review that has been undertaken during the year on the impact and effectiveness of the board of trustees, including any external review of governance as defined by the National College for Teaching and Leadership;

Where a review has taken place, describe the findings, any actions taken and the impact they had.

Indicate when the trust intends to conduct its next self-evaluation or external review of governance. If the trust has not carried out a review it should still indicate when it intends to do so.

Governance Statement (continued)

The **finance and general purposes committee [if appointed]** is a sub-committee of the main board of trustees. Its purpose is to:

Add purpose and particular issues dealt with in the year/period.

During the year K Harris, who is a qualified accountant, joined the committee. Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
K Harris (appointed 2 March 2014)	1	1
L Miller	3	3
T Sheraton	3	3

The **audit committee [if appointed]** is also a sub-committee of the main board of trustees. Its purpose is to:

Add purpose and particular issues dealt with in the year/period.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
C J Goodyear	3	3
J Murray (staff trustee)	3	3
C Wilkins	3	3

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Coketown Academy Trust Limited for the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 and up to the date of approval of the annual report and financial statements.

May require editing to reflect the circumstances of the individual academy trust.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

May require editing to reflect the circumstances of the individual academy.

The Risk and Control Framework

The academy trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the finance and general purposes committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided:

Insert description of person(s) appointed to carry out internal checks, for example:

- to appoint **[name]** as internal auditor; or
- not to appoint an internal auditor. However the trustees have appointed **[name]**, a trustee, as responsible officer (RO); and/or
- not to appoint an internal auditor. However the trustees have appointed **[name]**, the external auditor, to perform additional checks; and or
- not to appoint an internal auditor. However the trustees have appointed **[name]**, the FD of **[other academy name]** to perform peer review.

The **[internal auditor's/RO's/reviewer's]** role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a quarterly basis, **[*]** the **[auditor/RO/reviewer]** reports to the board of trustees, through the **[audit committee/finance and general purposes committee]** on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

May require editing to reflect the circumstances of the individual academy trust.

* This should reflect the actual reporting that occurred.

Academy trusts should confirm whether the internal auditor/RO/reviewer has delivered their schedule of work as planned, provide details of any material control issues arising as a result of the internal auditor's/RO's/reviewer's work and, if relevant, describe what remedial action is being taken to rectify the issues.

Review of Effectiveness

As accounting officer the **[principal/chief executive]** has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the **[responsible officer/internal auditor/peer reviewer]**;
- the work of the external auditor;
- the financial management and governance self-assessment process **[if relevant]**;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the **[audit committee/finance and general purposes committee]** and a plan to address weaknesses **[if relevant]** and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on **[date]** and signed on its behalf by:

[Signed]	**[Signed]**
[Name to be typed] Trustee	**[Name to be typed]** Accounting Officer

Coketown Academy Trust Limited

Statement on Regularity, Propriety and Compliance

[discussion at part 4.3]

As accounting officer of Coketown Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook.

Either:

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA.

Or:

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the board of trustees and EFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA:

- **[X]**
- **[X]**

[Signed]

[Name to be typed]
Accounting Officer

[Date]

Coketown Academy Trust Limited

Statement of Trustees' Responsibilities

[discussion at part 4.4]

The trustees (who act as governors of Coketown Academy Trust Limited and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006.They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from EFA/DfE have been applied for the purposes intended.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on **[date]** and signed on its behalf by:

[Signed]

[Name to be typed]
Trustee

Independent Auditor's Report on the Financial Statements to the Board of Trustees of Coketown Academy Trust Limited

[discussion at part 5.1]

The form of the audit report on the financial statements, which must appear here, is governed by International Standards on Auditing (UK and Ireland) (ISA's). The particular standard is 'ISA 700: The auditor's report on financial statements (revised)' together with supporting guidance Bulletin 2009/02, and 'Practice Note 11: The Audit of Charities in the United Kingdom (revised)'.

The auditor's opinion must address whether the financial statements:

- give a true and fair view of the state of the charitable company's affairs at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by EFA.

The auditor must also give their opinion on:

- other Companies Act requirements, specifically whether the information given in the trustees' report for the period for which the financial statements are prepared is consistent with the financial statements; and
- matters on which the auditor is required to report by exception, specifically if:
  - the academy trust has not kept adequate accounting records;
  - the financial statements are not in agreement with the accounting records and returns;
  - certain disclosures of trustees' remuneration specified by law are not made;
  - the auditor has not received all the information and explanations they required for the audit.

Note that an additional report expressing a conclusion on regularity must also be produced by the trust's reporting accountant (external auditor). The format of this additional report is on the next page.

Independent Reporting Accountant's Assurance Report on Regularity to Coketown Academy Trust Limited and the Education Funding Agency

[discussion at part 5.2]

In accordance with the terms of our engagement letter dated **[x]** and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Coketown Academy Trust during the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Coketown Academy Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Coketown Academy Trust and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Coketown Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Coketown Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Coketown Academy Trust's funding agreement with the Secretary of State for Education dated **[x]** and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2013 to 2014 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- **[X]**
- **[X]**
- **[X]**

Independent Reporting Accountant's Assurance Report on Regularity to Coketown Academy Trust Limited and the Education Funding Agency (continued)

Conclusion

In the course of our work, **[except for the matters listed below]** nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

[Matter 1:
Matter 2:]

[Signed]
Reporting Accountant
[Accountancy Firm Name]

[Date]

[discussion at part 6.1]

Statement of Financial Activities for the Year Ended 31 August 2014 (including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	**Total 2014 £000**	**Total 2013 £000**
Incoming resources						
Incoming resources from generated funds:						
. Voluntary income	3	25	-	344	**369**	25
. Activities for generating funds	4	8	-	-	**8**	26
. Investment income	5	5	-	-	**5**	18
Incoming resources from charitable activities:						
Funding for the academy trust's educational operations	6	-	4,349	1,224	**5,573**	5,580
Provision of boarding activities **[if reqd]**	7,8,31	-	-	-	**-**	-
Total incoming resources		38	4,349	1,568	**5,955**	5,649
Resources expended						
Cost of generating funds:						
Costs of generating voluntary income		14	-	-	**14**	34
Fundraising trading		-	-	-	**-**	-
Charitable activities:						
Academy trust educational operations	8	-	4,228	870	**5,098**	4,911
Provision of boarding activities **[if reqd]**	7,8,31	-	-	-	**-**	-
Governance costs	9	-	99	-	**99**	81
Total resources expended	7	14	4,327	870	**5,211**	5,026
Net incoming / (outgoing) resources before transfers		24	22	698	**744**	623
Gross transfers between funds	17	-	(10)	10	**-**	-
Net income/(expenditure) for the year		24	12	708	**744**	623
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes	17,28	-	(133)	-	**(133)**	71
Net movement in funds		24	(121)	708	**611**	694
Reconciliation of funds						
Total funds brought forward at 1 September 2013	17	66	(768)	9,810	**9,108**	8,414
Total funds carried forward at 31 August 2014		90	(889)	10,518	**9,719**	9,108

All of the academy's activities derive from continuing operations during the above two financial periods.

[discussion at part 6.3]

Balance Sheet as at 31 August 2014

Company Number 01234567

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	13		**10,518**		9,810
Current assets					
Stock	14	**5**		6	
Debtors	15	**82**		141	
Cash at bank and in hand		**255**		305	
		342		452	
Liabilities					
Creditors: Amounts falling due within one year	16	**(87)**		(320)	
Net current assets			**255**		132
Total assets less current liabilities			**10,773**		9,942
Pension scheme liability	28		**(1,054)**		(834)
Net assets including pension liability			**9,719**		9,108
Funds of the academy trust:					
Restricted funds					
. Fixed asset fund	17	**10,518**		9,810	
. General fund	17	**165**		66	
. Pension reserve	17	**(1,054)**		(834)	
Total restricted funds			**9,629**		9,042
Unrestricted income funds					
. General fund	17	**90**		66	
Total unrestricted funds			**90**		66
Total funds			**9,719**		9,108

The financial statements on pages **[15 to 45]** were approved by the trustees, and authorised for issue on **[date]** 2014 and are signed on their behalf by:

[Signed]

[Name to be typed]
Trustee

[discussion at part 6.4]

Cash Flow Statement for the Year Ended 31 August 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	21	**59**	607
Returns on investments and servicing of finance	22	**5**	16
Capital expenditure	23	**(114)**	(200)
(Decrease)/Increase in cash in the year	24	**(50)**	423
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2013		**305**	(118)
Net funds at 31 August 2014		**255**	305

Notes to the Financial Statements for the Year Ended 31 August 2014

[discussion at parts 7.3 and 7.1]

1. Statement of Accounting Policies

Academy trusts should only disclose those accounting policies which are material and relevant to their specific situation. The suggested accounting policies set out below should therefore be modified accordingly and consideration given as to whether any additional policies need including. [see SORP paras 356 to 370 and Financial Reporting Standard 18: Accounting Policies]

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 issued by EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going Concern

This should include balanced, proportionate and clear disclosures about going concern for the financial statements to give a true and fair view. The assessment should be in respect of the foreseeable future which is at least 12 months from the date of approval of the financial statements. An illustrative statement is below:

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

Incoming Resources

All incoming resources are recognised when the academy trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

- **Grants Receivable**

  Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

  Specific reference should be made to the treatment of GAG, capital grants and grants with specific performance conditions. For example:

  General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

  Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

- **Sponsorship Income**

  Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

1. Statement of Accounting Policies (continued)

- **Donations**

  Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

- **Other Income**

  Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

- **Donated Services and Gifts in Kind**
  The value of donated services and gifts in kind provided to the academy trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the academy trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with academy trust's accounting policies.

  Where the Charitable Company has, upon becoming an academy trust, received a transfer of property or been party to a lease of property for little or no consideration they should include an additional policy, which will need details of the transaction and the basis of measurement as the policy above is not sufficient.

Resources Expended

Expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

- **Costs of Generating Funds**
  These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

- **Charitable Activities**
  These are costs incurred on the academy trust's educational operations.

- **Governance Costs**
  These include the costs attributable to the academy trust's compliance with constitutional and statutory requirements, including audit, strategic management and trustees' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £**[x]** or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is

1. Statement of Accounting Policies (continued)

charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a **[straight-line/reducing balance]** basis over its expected useful life, as follows:

- Freehold buildings **[x]**
- Long leasehold buildings **[x]**
- Fixtures, fittings and equipment **[x]**
- ICT equipment **[x]**
- Motor Vehicles **[x]**

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Leased Assets

Rentals under operating leases are charged on **[x]** basis over the lease term.

Investments

None are included in this model but if relevant the suggested disclosure could be as follows, with valuation in line with paragraphs 296 and 297 of the SORP:

The academy's shareholding in the wholly owned subsidiary, ABC Limited, is included in the balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

Stock

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level

1. Statement of Accounting Policies (continued)

percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 28, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the **[Education Funding Agency/Department for Education]**.

[discussion at parts 7.4, 8.1.3 and 7.1]

2 General Annual Grant (GAG)

This note is required **only** if the academy trust's funding agreement at 31 August 2014 contained limits on the amount of GAG that it was permitted to carry forward from one year to the next. If there were no limits, this should be stated in the funds note (note 17).

Under the funding agreement with the Secretary of State the academy trust was subject to limits at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy trust **[has/has not]** exceeded these limits during the year ended 31 August 2014.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at parts 6.1.19 to 20, and 7.1]

3 Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Private sponsorship	22	344	**366**	22
Other donations	3	-	**3**	3
	25	344	**369**	25

4 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Hire of facilities	8	-	**8**	26
Catering income	-	-	**-**	-
	8	-	**8**	26

5 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Short term deposits	5	-	**5**	18
	5	-	**5**	18

6 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
DfE / EFA revenue grants				
. General Annual Grant (GAG) (note 2)	-	4,257	**4,257**	4,080
. Start Up Grants	-	-	**-**	-
. Capital Grants	-	1,224	**1,224**	250
. Other DfE/EFA grants	-	92	**92**	53
	-	5,573	**5,573**	4,383
Other Government grants				
. Local authority grants	-	-	**-**	30
. Special educational projects	-	-	**-**	1,167
	-	-	**-**	1,197
	-	5,573	**5,573**	5,580

The funding streams that comprise GAG are described in section 7.4.7.

7 Resources Expended

	Staff Costs	Non Pay Expenditure		Total	Total
		Premises	Other	2014	2013
	£000	£000	£000	£000	£000
Costs of generating voluntary income	10	-	4	**14**	34
Costs of activities for generating funds	-	-	-	**-**	-
Academy's educational operations:					
. Direct costs	2,843	566	457	**3,866**	3,809
. Allocated support costs	494	538	200	**1,232**	1,102
Boarding activities: **[if relevant]**					
. Direct costs	-	-	-	**-**	-
. Allocated support costs	-	-	-	**-**	-
	3,347	1,104	661	**5,112**	4,911
Governance costs including allocated support costs	87	-	12	**99**	81
	3,434	1,104	673	**5,211**	5,026

Incoming/outgoing resources for the year include:
[for illustration - can be omitted if nil]

	2014	2013
	£000	£000
Operating leases:		
. Plant and machinery	**-**	-
. Other leases	**-**	-
	-	-

Section 2.4.33 of the 2013 Academies Financial Handbook requires additional disclosure in the accounts for certain categories of transactions. Disclosure should include the total value of the transactions during the year plus individual disclosure of items over £5,000, if arising. Disclosure is illustrated on the next page. An entry is not required if no transactions arose.

Whilst not generally expected to arise, the following terms used in the disclosure have the meaning given in annex 4.13 of HM Treasury's Managing Public Money:

- compensation means 'payments to provide redress for personal injuries, traffic accidents, damage to property etc' that go beyond statutory or contractual entitlement;

- ex-gratia means other 'payments that go beyond statutory cover, legal liability or administrative rules'.

Note that 'compensation payments' does not mean staff severance payments. Disclosure of staff severance payments is included in the staff costs note.

7 Resources Expended (continued)

Included within resources expended are the following transactions. Individual transactions exceeding £5,000 are identified separately:

	Total £	Individual items above £5000	
		Amount £	Reason
Ex-gratia/compensation payments	x	x	x
		x	x
Gifts made by the trust	x	x	x
		x	x
Fixed asset losses	x	x	x
		x	x
Stock losses	x	x	x
		x	x
Unrecoverable debts	x	x	x
		x	x
Cash losses	x	x	x
		x	x

Lines can be omitted if no transactions arose.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at parts 6.1.20 to 21 and 7.1]

8 Charitable Activities

	Total 2014 £000	Total 2013 £000
Direct costs – educational operations		
Teaching and educational support staff costs	**2,938**	2,811
Depreciation	**566**	525
Technology costs	**23**	44
Educational supplies	**300**	400
Examination fees	**3**	3
Staff development	**19**	11
Educational consultancy	**2**	2
Other direct costs	**15**	13
	3,866	3,809
Direct costs – boarding [if relevant]	**-**	-
	3,866	3,809
Support costs – educational operations		
Support staff costs	**409**	396
Depreciation	**304**	280
Technology costs	**-**	-
Recruitment and support	**10**	9
Maintenance of premises and equipment	**58**	56
Cleaning	**71**	60
Rent & rates	**72**	68
Energy costs	**200**	148
Insurance	**60**	38
Security and transport	**48**	47
Catering	**-**	-
Bank interest and charges	**-**	-
Other support costs	**-**	-
	1,232	1,102
Support costs – boarding [if relevant]	**-**	-
	1,232	1,102
Total direct and support costs	**5,098**	4,911

9 Governance Costs

	Total 2014 £000	Total 2013 £000
Legal and professional fees	**-**	9
Auditor's remuneration		
. Audit of financial statements	**9**	12
. Other audit costs	**1**	1
Support staff costs	**87**	56
Trustees' reimbursed expenses	**2**	3
	99	81

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at part 7.5 and 7.1]

10 Staff

a. Staff costs

Staff costs during the period were:	2014 £000	2013 £000
Wages and salaries	**2,608**	2,587
Social security costs	**267**	258
Pension costs	**519**	362
	3,394	3,207
Supply staff costs	**-**	-
Staff restructuring costs	**40**	-
	3,434	3,207

b. Staff severance payments

Disclose the total value of all non-statutory/non-contractual severance payments made by the trust during the year plus individual disclosure of items over £5,000, in accordance with section 2.4.33 of the Academies Financial Handbook. The names of the recipients do not need to be disclosed. Disclose as below, noting that the amounts are not rounded. A note is not required if no transactions arose.

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £15,000 (2013: nil). Two of the non-statutory/non-contractual payments exceeded £5,000 individually, and these were for £7,000 and £6,000.

c. Staff numbers

The average number of persons employed by the academy during the year expressed as full time equivalents was as follows:

	2014 No.	2013 No.
Charitable Activities		
Teachers	**65**	62
Administration and support	**23**	18
Management	**8**	8
	96	88

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at part 7.5 and 7.1]

10 Staff (continued)

d. Higher paid staff

The number of employees whose emoluments exceeded £60,000 was:

	2014 No.	2013 No.
£60,001 - £70,000	**3**	3
£70,001 - £80,000	**1**	1

Three of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 employer's pension contributions for these staff amounted to £30,000 (2013: £28,000). The other employee participated in the Local Government Pension Scheme; employer's pension contributions amounted to £8,000 (2013: £6,500).

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at part 7.6 and 7.1]

11 Related Party Transactions - Trustees' Remuneration and Expenses

The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees. The value of trustees' remuneration was as follows:

G Small (principal and trustee):	£75,000 - £80,000 (2013: £70,000 - £75,000)
J Murray (staff trustee):	£35,000 - £40,000 (2013: £35,000 - £40,000)
A Smith (staff trustee):	£35,000 - £40,000 (2013: £35,000 - £40,000)

During the year ended 31 August 2014, travel and subsistence expenses totalling £1,800 (2013: £3,000) were reimbursed to 5 trustees (2013: 5 trustees).

Other related party transactions involving the trustees are set out in note 29.

12 Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2014 was £1,540 (2013: £1,496). The cost of this insurance is included in the total insurance cost.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at parts 6.3.4 and 7.1]

13 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Motor Vehicles £000	**Total £000**
Cost						
At 1 September 2013	6,424	1,606	2,625	747	-	**11,402**
Additions	-	-	883	680	15	**1,578**
Disposals	-	-	-	-	-	**-**
At 31 August 2014	6,424	1,606	3,508	1,427	15	**12,980**
Depreciation						
At 1 September 2013	385	96	769	342	-	**1,592**
Charged in year	128	32	459	251	-	**870**
Disposals	-	-	-	-	-	**-**
At 31 August 2014	513	128	1,228	593	-	**2,462**
Net book values						
At 31 August 2014	**5,911**	**1,478**	**2,280**	**834**	**15**	**10,518**
At 31 August 2013	6,039	1,510	1,856	405	-	**9,810**

- acquisitions of freehold land and buildings, if the value of the acquisition exceeds £5,000;
- disposals of land and buildings, if the value exceeds £5,000;
- taking up a leasehold on land or buildings (trust as tenant) if lease payments exceed £5,000;
- granting a leasehold on land or buildings (trust as landlord) if lease payments exceed £5,000;
- disposals of heritage assets;

in accordance with section 2.4.33 of the 2013 Academies Financial Handbook. Disclose as below. This narrative need not refer to the acquisition of land and buildings at the time of academy conversion, nor to building work on existing buildings.

Narrative is not required if no transactions arose.

The trust's transactions relating to land and buildings included:

- the acquisition of the freehold on **[describe property acquired]**which was **[purchased by/donated to]** the trust at a value of **£x**;
- the disposal of the freehold on **[describe property disposed of]** by the trust at a value of **£x**;
- the taking up of a leasehold on **[describe property leased]** for **£x** over a term of **x years**;
- the granting of a leasehold on **[describe property leased]** for **£x** over a term of **x years**.

The trust disposed of a heritage asset during the year comprising **[describe item]** at a value of **£x**.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at parts 6.3.4 and 7.1]

14 Stock [if arising]

	2014 £000	2013 £000
Clothing	**2**	3
Catering	**3**	3
	5	6

15 Debtors

	2014 £000	2013 £000
Trade debtors	**12**	101
VAT recoverable	**10**	10
Other debtors	**7**	3
Prepayments and accrued income	**53**	27
	82	141

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

[discussion at parts 6.3.5 and 7.1]

16 Creditors: Amounts Falling due within one Year

	2014 £000	2013 £000
Trade creditors	**18**	70
Taxation and social security	**31**	48
EFA creditor: abatement of GAG **[if applicable]**	**-**	-
Other creditors	**12**	147
Accruals and deferred income	**26**	55
	87	320

Deferred income	2014 £000
Deferred Income at 1 September 2013	**12**
Resources deferred in the year	**5**
Amounts released from previous years	**(12)**
Deferred Income at 31 August 2014	**5**

Include explanation of deferred income held at 31 August 2014, as follows:

At the balance sheet date the academy trust was holding funds received in advance for lettings booked for the autumn term 2014.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at parts 7.7, 8.1.3 and 7.1]

17 Funds

	Balance at 1 September 2013 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2014 £000
Restricted general funds					
General Annual Grant (GAG)	66	4,257	(4,148)	(10)	**165**
Start Up Grant	-	-	-	-	**-**
Other DfE/EFA grants	-	92	(92)	-	**-**
Provision for boarding	-	-	-	-	**-**
Pension reserve	(834)	-	(87)	(133)	**(1,054)**
	(768)	4,349	(4,327)	(143)	**(889)**
Restricted fixed asset funds					
DfE/EFA capital grants	8,591	1,224	(694)	-	**9,121**
Capital expenditure from GAG	30	-	(3)	10	**37**
Private sector capital sponsorship	1,189	344	(173)	-	**1,360**
	9,810	1,568	(870)	10	**10,518**
Total restricted funds	**9,042**	**5,917**	**(5,197)**	**(133)**	**9,629**
Unrestricted funds					
Unrestricted funds	66	38	(14)	-	**90**
Total unrestricted funds	66	38	(14)	-	**90**
Total funds	**9,108**	**5,955**	**(5,211)**	**(133)**	**9,719**

The specific purposes for which the funds are to be applied are as follows:

For each fund held during the year provide a description of how the fund has arisen and the nature of any restrictions imposed.

In relation to GAG funds, also state either:

Under the funding agreement with the Secretary of State, the academy trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2014. Note 2 discloses whether the limit was exceeded.

or:

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

The trust must also review the balance on restricted general funds (excluding pension reserve) plus the balance on unrestricted funds at 31 August 2014. In the above example this would be a net surplus of £165k + £90k = £255k. If the result is a deficit the following disclosure must be made:

The trust is carrying a net deficit of £xxxk on restricted general funds (excluding pension reserve) plus unrestricted funds because **[give brief details].** The trust is taking the following action to return these funds to surplus: **[give brief details]**.

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

[discussion at parts 7.7 and 7.1]

18 Analysis of Net Assets between Funds

Fund balances at 31 August 2014 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	10,518	**10,518**
Current assets	98	244	-	**342**
Current liabilities	(8)	(79)	-	**(87)**
Pension scheme liability	-	(1,054)	-	**(1,054)**
Total net assets	90	(889)	10,518	**9,719**

19 Capital Commitments

	2014 £000	2013 £000
Contracted for, but not provided in the financial statements	**43**	15

20 Financial Commitments

Operating Leases

At 31 August 2014 the academy trust had annual commitments under non-cancellable operating leases as follows:

	2014 £000	2013 £000
Land and buildings		
Expiring within one year	**21**	21
Expiring within two and five years inclusive	**42**	63
Expiring in over five years	**-**	-
	63	84
Other		
Expiring within one year	**6**	6
Expiring within two and five years inclusive	**15**	15
Expiring in over five years	**3**	3
	24	24

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at parts 6.4 and 7.1]

21	Reconciliation of Net Income to Net Cash Inflow from Operating Activities	2014 £000	2013 £000
	Net income	**744**	623
	Depreciation (note 13)	**870**	805
	Capital grants from DfE and other capital income	**(1,568)**	(964)
	Interest receivable (note 5)	**(5)**	(18)
	FRS 17 pension cost less contributions payable (note 27)	**65**	42
	FRS 17 pension finance income (note 27)	**22**	27
	(Increase)/decrease in stocks	**1**	-
	(Increase)/decrease in debtors	**59**	(10)
	Increase/(decrease) in creditors	**(129)**	102
	Net Cash Inflow from Operating Activities	**59**	607

22	Returns on Investments and Servicing of Finance		
	Interest received	**5**	16
	Net cash inflow from returns on investment and servicing of finance	**5**	16

23	Capital Expenditure and Financial Investment		
	Purchase of tangible fixed assets	**(1,578)**	(1,324)
	Capital grants from DfE/EFA	**1,224**	975
	Capital funding received from sponsors and others	**240**	149
	Receipts from sale of tangible fixed assets	**-**	**-**
	Net cash outflow from capital expenditure and financial investment	**(114)**	(200)

24	Analysis of Changes in Net Funds	At 1 September 2013 £000	Cash flows £000	**At 31 August 2014 £000**
	Cash in hand and at bank	305	(50)	**255**
		305	(50)	**255**

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

[discussion at parts 7.3.21 to 22 and 7.1]

25 Guarantees, Letters of Comfort and Indemnities

Disclose the total value of any guarantees, letters of comfort and indemnities provided by the trust during the year, plus individual disclosure of any instances above £5,000, if arising, in accordance with section 2.4.33 of the 2013 Academies Financial Handbook. Disclose as below. A note is not required if no transactions arose.

The trust provided **[guarantees / letters of comfort / indemnities]** during the year ended 31 August 2014 totalling **£x**. This included one **[guarantee / letter of comfort / indemnity]** that exceeded £5,000. This was for **£x** for **[reason]**.

26 Contingent Liabilities

If a contingent liability arises, disclosure must include:

- a brief description of the nature of the contingent liability;
- an estimate of its financial effect;
- an indication of the uncertainties that exist;
- the possibility of any payment.

27 Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding **£[insert amount as stated in memorandum and articles of association]** for the debts and liabilities contracted before he/she ceases to be a member.

[discussion at parts 6.3.5, 7.3.18 and 7.1]

28 Pension and Similar Obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by [name]. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2013.

Either state:

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Or:

Contributions amounting to £20,000 (2013: £18,000) were payable to the schemes at 31 August 2014 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

28 Pension and Similar Obligations (continued)

supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

28 Pension and Similar Obligations (continued)

Local Government Pension Scheme

The figures included in this section are illustrative only.

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £250,000, of which employer's contributions totalled £201,000 and employees' contributions totalled £49,000. The agreed contribution rates for future years are XX per cent for employers and X per cent for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Additional disclosure should be made where the scheme is in deficit and the entity has entered into an agreement with the trustees to make additional contributions in addition to normal funding levels, including the number of years over which it is anticipated that the additional contributions will be paid.

Principal Actuarial Assumptions	**At 31 August 2014**	**At 31 August 2013**
Rate of increase in salaries	**4.40%**	4.10%
Rate of increase for pensions in payment/inflation	**2.90%**	2.60%
Discount rate for scheme liabilities	**5.80%**	5.50%
Inflation assumption (CPI)	**2.90%**	2.90%
Commutation of pensions to lump sums	**50.00%**	25.00%

The FRC Reporting Statement 'Retirement Benefits' recommends that disclosure should include a sensitivity analysis for the principal assumptions used to measure scheme liabilities, showing how the measurement of scheme liabilities would have been affected by changes in the relevant assumption that were reasonably possible at the balance sheet date.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 August 2014	**At 31 August 2013**
Retiring today		
Males	**21.2**	18.9
Females	**24.0**	21.8
Retiring in 20 years		
Males	**22.4**	19.9
Females	**25.1**	22.8

28 Pension and Similar Obligations (continued)

Local Government Pension Scheme (continued)

The academy's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 31 August 2014	Fair value at 31 August 2014 £000	Expected return at 31 August 2013	Fair value at 31 August 2013 £000
Equities	**7.70%**	**1,166**	7.70%	1,232
Bonds	**5.10%**	**954**	5.10%	425
Property	**6.50%**	**159**	6.50%	63
Total market value of assets		**2,279**		1,720
Present value of scheme liabilities				
- Funded		**(3,333)**		(2,554)
Surplus/(deficit) in the scheme		**(1,054)**		(834)

A narrative description is required of the basis used to determine the overall expected rate of return on the major categories of scheme assets.

The actual return on scheme assets was £100,000 (2012: £90,000).

Amounts recognised in the statement of financial activities

	2014 £000	2013 £000
Current service cost (net of employee contributions)	**(254)**	(176)
Past service cost	**(12)**	-
Total operating charge	**(266)**	(176)

Analysis of pension finance income/(costs)

Expected return on pension scheme assets	**128**	90
Interest on pension liabilities	**(150)**	(117)
Pension finance income/(costs)	**(22)**	(27)

28 Pension and Similar Obligations (continued)

Local Government Pension Scheme (continued)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £262,000 loss (2013: £129,000 loss).

Movements in the present value of defined benefit obligations were as follows:

	2014 £000	2013 £000
At 1 September	**2,554**	2,063
Current service cost	**254**	176
Interest cost	**150**	117
Employee contributions	**49**	45
Actuarial (gain)/loss	**314**	153
Benefits paid	**-**	-
Past Service cost	**12**	-
Curtailments and settlements	**-**	-
At 31 August	**3,333**	2,554

28 Pension and Similar obligations (continued)

Local Government Pension Scheme (Continued)

Movements in the fair value of academy's share of scheme assets:

	2014 £'000	2013 £'000
At 1 September	**1,720**	1,227
Expected return on assets	**128**	90
Actuarial gain/(loss)	**181**	224
Employer contributions	**201**	134
Employee contributions	**49**	45
Benefits paid	**-**	-
At 31 August	**2,279**	1,720

The estimated value of employer contributions for the year ended 31 August 2015 is £205,000.

The five-year history of experience adjustments is as follows:

Complete for the years since the academy trust joined the pension scheme, if less than five years

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligations	**(3,333)**	(2,554)	(2,063)	(1,753)	(1,551)
Fair value of share of scheme assets	**2,279**	1,720	1,227	1,218	1,157
Deficit in the scheme	**(1,054)**	(834)	(836)	(535)	(394)
Experience adjustments on share of scheme assets					
Amount £'000*	**181**	224	(486)	(89)	(116)
Experience adjustments on scheme liabilities:					
Amount £'000*	**220**	(3)	45	25	(23)

*FRS 17 (revised) allows for either monetary amounts or values expressed in percentage terms to be disclosed here.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

29 Related Party Transactions

[discussion at parts 7.6 and 7.1]

Related party transactions are generally those that may involve some degree of direct or indirect control or influence. Trusts must therefore ensure that their accounts contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Transactions with related parties should be disclosed fully and openly so that the users of the accounts can gain a proper understanding of them, and any issues that might have influenced them. Some transactions may attract public interest and so disclosure provides accountability and transparency to the public, and demonstrates that potential conflicts of interest are being identified and managed.

In accordance with the SORP, disclosure of related party transactions should include:

- the name of the related party;
- the relationship with the party;
- a description of the transaction;
- the amount involved;
- the amounts due to or from the related party at the balance sheet date, and any provision for doubtful debts or amounts written off.

Academy trusts should also indicate how they have managed the transaction, for example by describing the procurement process they have followed, and demonstrating that it has been dealt with even-handedly.

Disclosure is illustrated below.

Owing to the nature of the academy trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account.

DEF Limited – a company in which Mr C J Goodyear (a trustee of the trust) has a majority interest:

- The trust purchased ICT equipment from DEF Limited totalling £35,000 (2013: £nil) during the year. There were no amounts outstanding at 31 August 2014 (2013: £nil).

- The trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which Mr Goodyear neither participated in, nor influenced.

- In entering into the transaction the trust has complied with the requirements of the EFA's Academies Financial Handbook.

Alternatively, if no related party transactions arose during the period, this should be stated:

No related party transactions took place in the period of account.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

30 Events after the balance sheet date

[discussion at parts 7.8 and 7.1]

Provide details in accordance with FRS 21 if arising.

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

31 Academy Boarding Trading Account

Figures are included to illustrate the layout only. Where boarding activity arises, it should also be reflected in the SOFA, balance sheet, cash flow statement and other relevant notes

	2014 £000	2014 £000	2014 £000	2013 £000	2013 £000	2013 £000
Income						
Fee income		900			848	
Grants		30			25	
Other income		50			50	
			980			923
Expenditure						
Direct costs						
Goods and services	275			250		
Other direct costs	205			200		
Bad debt write offs	-			3		
Total direct costs		480			453	
Indirect costs						
Staff costs	163			160		
Utilities	110			100		
Rent and rates	60			60		
Insurance	25			25		
Security	9			8		
Buildings maintenance	40			36		
Depreciation	21			21		
Other indirect costs	6			5		
Total indirect costs		434			415	
Stock costs						
Opening stock	12			10		
Less closing stock	(12)			(12)		
Stock adjustment		-			(2)	
Total operating costs			914			866
Surplus/(Deficit) on Boarding			66			57
Surplus/(Deficit) brought forward at 1 September 2013			34			(23)
Surplus/(Deficit) carried forward at 13 August 2014			100			34

Part 4: Academy reports

4.1 Trustees' report

4.1.1 Purpose of the report

4.1.2 The trustees are jointly responsible for the preparation of a trustees' report in support of the financial statements.

4.1.3 Whilst the trustees' report and financial statements are legally separate documents, they are presented together in the same publication. The trustees' report serves the purpose of a directors' report under company law as well as a trustees' report under charity law.

4.1.4 The trustees' report should describe what the academy trust is trying to do and how it is going about it, demonstrating whether and how the academy trust has achieved its objectives during the year and explaining its plans for the future.

4.1.5 The elements of the trustees' report are illustrated in the Coketown model, together with a brief explanation of the matters that are expected to be included under each heading. A reference to the appropriate paragraphs in the SORP has also been incorporated, to assist where further explanation is required in the preparation of the report.

4.1.6 Legal obligations

4.1.7 The trustees' report must meet:

- the requirement for a directors' report as described in s415 – 419 of the Companies Act 2006
- the requirements of a trustees' report as set out in the SORP.

4.1.8 For accounting periods up to 29 September 2013 the Companies Act required a business review to be included within the directors' report. The business review has now been withdrawn and instead a strategic report is required. However, for charities, the information required in the strategic report does not differ from the business review, and is already covered by the SORP, and hence by the Accounts Direction in previous years. The Charity Commission has therefore confirmed that, to avoid unnecessary duplication, the strategic report should simply be included as a clearly delineated section within the trustees' report. The Coketown model reflects this. Whilst the strategic report applies to large and medium companies under the Companies Act (as did the business review), all academy trusts should include it in accordance with the best practice encouraged by the SORP. The strategic report sets out a fair review of the company's business, including its performance during the year and its position at the end of the year, plus a description of the principal risks and uncertainties that it faces. As these issues should already have been reflected by academy trusts in previous years' trustees' reports, the changes for the year ended 31 August 2014 essentially amount to a re-ordering of the sections in the report. The Charity Commission has produced an information sheet about the strategic report.

4.1.9 Whilst the Accounts Direction highlights the areas that must be included in the trustees' report, the SORP encourages charities to provide additional information where this would give a greater insight into their activities and achievements. Areas that are specific requirements of the Companies Act, but may not be addressed by following the SORP, are separately identified in the model accounts.

4.1.10 Under section 419 of the Companies Act 2006 the report must be approved by the board of directors and signed on their behalf by one of the directors or the company secretary. In an academy trust the directors are the trustees and so one of the trustees should sign (usually the chairperson).The date of approval must be stated, together with the name of the trustee who has signed it.

4.1.11 Elements of the trustees' report

4.1.12 The trustees' report should cover the following matters in relation to the academy trust:

- reference and administrative details. These are set out on page 1 of the Coketown model. In addition to disclosure of the names of trustees and senior managers under the SORP, EFA requires the trust to disclose the names of the members in office on the date the accounts are approved and any other members who served during the period, to aid transparency;
- structure, governance and management;
- objectives and activities;
- strategic report, including:
    - achievements and performance;
    - financial review;
    - principal risks and uncertainties;
- plans for future periods;
- funds held as custodian trustee on behalf of others, if arising;
- disclosure to auditor.

4.1.13 Additional Companies Act requirements

4.1.14 In addition to the above items, the Companies Act requires the report to include disclosure of the following issues.

4.1.15 **Employees and disabled persons –** where the average number of employees exceeds 250 the academy trust must:

- for disabled employees – disclose its policy in respect of applications for employment from disabled persons, the treatment of employees who become disabled and the training, career development and promotion of disabled persons;
- for employee consultation – include a description of the action taken during the year to introduce, maintain or develop arrangements to provide information and consult employees on matters affecting them.

4.1.16 **Trustees' indemnities** – as the trustees are directors, disclosure is required of whether there were any third party indemnity provisions during the year or at the date of approval of the trustees' report.

4.1.17 Reserves policy additional information

4.1.18 The term 'reserves' has a variety of technical and ordinary meanings. In the Charities SORP it is used to describe that part of a charity's income funds that are freely available. This definition therefore normally excludes restricted funds and endowment funds.

4.1.19 In relation to these 'free' reserves the trustees' report should state the academy trust's reserves policy, disclosing the following information:

- why reserves are held;
- what level or range of reserves is considered appropriate for the academy trust;
- what the level of reserves is at the year-end;
- how the academy trust is going to achieve the desired level or range of reserves; and
- how often the reserves policy is reviewed.

4.1.20 Where plans for the future use of reserves are made, both the purpose and the likely timing of the expenditure should be explained.

4.1.21 Whilst there is this requirement to disclose the 'free' reserves policy (unrestricted funds), the trustees may determine, as good practice, to disclose their policy in relation to other reserves (eg restricted general funds, including GAG).

4.1.22 Within the reserves policy the academy trust should make additional disclosure where, because of accounting for the Local Government Pension Scheme (LGPS), it is recognising a significant pension fund deficit. This deficit should be included within restricted funds. This could potentially result in a deficit on the restricted funds and, where this is the case, this disclosure should explain that it does not mean that an immediate liability for this amount crystallises. Similarly, if there is a pension surplus included in the restricted fund this does not create an immediately realisable asset that can be released straight away and expended for the specific purposes of that fund.

4.1.23 The SORP requires disclosure of the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit. The reserves policy should explain that a surplus or deficit position of the pension scheme would generally result in a cash flow effect for the academy trust in the form of an increase or decrease in employers' pension contributions over a period of years. The academy trust should revisit its current business plans and budgets and ascertain how their pension costs might affect their budgets in the future. On the basis that increased pension contributions should generally be met from the academy trust's budgeted annual income, whilst the deficit might not be eliminated, there should be no actual cash flow deficit on the fund, or direct impact on the free reserves of the academy trust because of recognising the deficit.

For further information see the Charity Commission's publication CC19: Charities and Reserves.

4.1.24 Public benefit reporting additional information

4.1.25 The Charities Act 2011 highlights the requirement for charities to have charitable purposes or 'aims' that are for the public benefit, and to report specifically on the ways in which they have met this requirement.

4.1.26 Academy trusts are required to include in their annual trustees' report an explicit statement that the trustees have had regard to the Charity Commission guidance on public benefit. For example:

'In setting our objectives and planning our activities the trustees have given careful consideration to the Charity Commission's general guidance on public benefit'.

4.1.27 The trustees' report should include 'a review of the significant activities undertaken by the academy trust during the relevant financial year to further its charitable purposes for the public benefit'. The benefit provided by an academy trust may be equated to its achievements in a particular year.

4.1.28 For an academy trust it should be quite clear to the reader that its aims and activities performed are for the public benefit. However, a description of the activities is still required. It should include a brief reference to the catchment area for the academy trust and the basis on which the pupils are admitted, i.e. explaining who the direct beneficiaries are and how they access the benefits provided by the academy trust.

4.2 Governance statement

4.2.1 A governance statement must be included in the annual report as the academy trust is in receipt of public funds under its funding agreement with DfE. HM Treasury requires all public bodies to prepare a governance statement. It includes information on the governance framework of the academy trust and important confirmation that the trustees have carried out their responsibility for ensuring that effective management systems, including financial monitoring and control systems, have been put in place. The governance statement must be signed on behalf of the board of trustees (usually by the chairperson) and by the academy trust's accounting officer. The date of approval should be stated, together with the names of the individuals who have signed it.

4.2.2 Only the 'scope of responsibility' section within the governance statement is generic in nature and therefore applicable to all academy trusts. So it can simply be incorporated as written in the model accounts, with just minor editing if the principal is not the accounting officer. However the remainder of the sections need to reflect the specific circumstances for each individual academy trust, and may also require a statement by the board of trustees describing the extent of the management and control systems in the period where they have not been in place for the whole of the reporting period. These sections are considered below.

4.2.3 **Governance** – Within this section a brief description of the governance framework of the academy trust is required, including information about the committee structure, its attendance records and the coverage of its work if not covered in other sections of the annual report.

4.2.4 It should also describe the outcome, actions and impact of any review that has been undertaken on the effectiveness of the board, and an indication of when the next self-evaluation or external review of governance in planned. If the trust has not carried out a review it should indicate when it intends to do so. Any particular challenges that have arisen during the year in the work of the board of trustees and any sub-committees can also be included.

4.2.5 **Purpose of the system of internal control** – This section requires a description of the purpose of the system of internal control for which there is example wording included in the model accounts. It also requires a statement by the trustees confirming that the system of internal control has been in place for the year and up to the date of approval of the accounts.

4.2.6 **Capacity to handle risk** – This requires the academy trust to describe the way in which leadership is given to the risk management process and that the board of trustees have considered and reviewed the risks to which the academy trust is exposed, together with the financial and compliance controls that have been implemented to mitigate those risks. The academy trust should also make a statement confirming the extent to which it believes that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks in place during the reporting period and up to the date of the approval of the trustees' report and financial statements.

4.2.7 **Risk and control framework** – This section includes a description of the key elements of the risk and control framework. Some example narrative is included in the model accounts, but this should be tailored to the specific circumstances of the individual academy trust. This section should also include a description of the delivery of an internal audit/responsible officer function.

4.2.8 **Review of effectiveness** – This section should include details of the extent of the review of effectiveness of the system of internal control, and identify the areas that have informed the review. Illustrative text is included in the model accounts. This section should also include an outline of actions taken or proposed to deal with any significant control issues, if applicable.

4.2.9 **New academies in the period** – Where a new academy trust has been formed, by either conversion of an existing school or creation of a new school, it may be in the position where it has not had a full system of internal control including risk management in the period. Even if it did, it may not be in place for all of the reporting period including up to the date that the trustees' report and financial statements were approved. In addition it may not have been fully embedded.

4.2.10 The board of trustees will therefore need to give careful consideration to the systems that were in place and how these evolved over the reporting period, and include an appropriate description of the circumstances of the creation of the academy trust and the steps that have been taken to develop and implement a system of internal controls. Such description should include the approach to developing and implementing the risk management strategy.

4.3. Statement on regularity, propriety and compliance

4.3.1 A statement on regularity, propriety and compliance must be included with the accounts. This is a formal declaration signed by the academy trust's accounting officer that they have met their personal responsibilities to Parliament for the resources under their control during the year. It includes a responsibility to ensure that public money is spent for the purposes intended by Parliament (regularity) and a responsibility to ensure that appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control (propriety). The accounting officer also has a responsibility to advise the board of trustees and EFA of any instances of irregularity or impropriety, or non-compliance with the terms of the trust's funding agreement.

4.3.2 The format of the statement is included within the Coketown model. The accounting officer should ensure that any references in their final signed statement to instances of material irregularity, impropriety or funding non-compliance are consistent with any findings from the work of the reporting accountant. Regularity reporting is discussed in more detail in part 10.

4.4 Statement of trustees' responsibilities

4.4.1 A separate statement of trustees' responsibilities must be included with the accounts, and this follows the trustees' report, the governance statement and the statement on regularity, propriety and compliance. This sets out the trustees' responsibilities under companies' legislation for preparing the trustees' report and financial statements, maintaining adequate accounting records, safeguarding the assets of the charitable company and the requirement for the financial statements to show a true and fair view.

4.4.2 It must also explain the financial reporting framework that has been applied, which will comprise UK Generally Accepted Accounting Practice, and the Accounts Direction 2013 to 2014 published by EFA.

4.4.3 Due to the nature of the academy trust's funding relationship with EFA, and its receipt of public funds, this confers additional responsibilities on the trustees which are also incorporated in this statement.

4.4.4 The statement of trustees' responsibilities must be signed on behalf of the board by a trustee (usually by the chairperson). The date of approval should be stated, together with the name of the trustee who has signed it.

Part 5: Auditor's reports

5.1 Independent external auditor's report on the financial statements

5.1.1 The trustees' report and financial statements must be accompanied by an independent auditor's report (in all cases, unless the academy trust is producing dormant accounts that do not require an audit) in which they express an opinion on the financial statements. Aside from the audit requirements in the Companies Act, academy trusts' funding agreements require the financial statements to be audited annually by an independent auditor. This recognises that academies are supported largely by public funds. The form of the auditor's report will follow the example included in the 'Compendium of Illustrative Auditor's Reports on UK Private Sector Financial Statements', (revised) issued by the FRC, which is based on 'International Standards on Auditing (UK and Ireland) 700: The auditor's report on financial statements' (revised).

5.1.2 The report will identify the financial reporting framework under which the accounts have been prepared. For academy trusts, this is:

- United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice);
- the Accounts Direction 2013 to 2014 issued by EFA; and
- applicable law.

5.1.3 It will also include a cross reference to the statement of trustees' responsibilities. There will also be a description of the auditor's responsibilities which states that the auditor will undertake the audit in accordance with the applicable law and International Standards on Auditing (UK and Ireland), and comply with the Financial Reporting Council's Ethical Standards for Auditors.

5.1.4 The report will either include a standard worded paragraph that describes the scope of the audit or a link to the APB website where the wording can be reviewed.

5.1.5 There will then be separate paragraphs dealing with:

- their opinion on the financial statements, including whether they:
  - give a true and fair view of the state of the charitable company's affairs at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and in accordance with the requirements of the Companies Act 2006; and

    - have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by EFA;
- their opinion on other Companies Act requirements, specifically whether the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- matters on which the auditor is required to report by exception, specifically if:
    - the academy trust has not kept adequate accounting records;
    - the financial statements are not in agreement with the accounting records and returns;
    - certain disclosures of trustees' remuneration specified by law are not made;
    - the auditor has not received all the information and explanations they required for the audit.

5.1.6 Other than in event of a qualified audit opinion, the audit opinions described above should generally not be modified.

5.2 Independent reporting accountant's report on regularity

5.2.1 In addition to an auditor's report expressing an opinion on the financial statements, a report providing a conclusion on regularity must be produced by a reporting accountant. The reporting accountant must be the same person as the external auditor. The accounting officer statement on regularity, propriety and compliance should form the basis of an enhanced regularity audit that will provide assurance to both the academy trust and EFA on the use of the academy trust's funds. The reporting accountant's conclusion on regularity must be addressed jointly to the academy trust and to EFA.

5.2.2 The format of the regularity audit report is included within the model accounts in the Accounts Direction.

5.2.3 Regularity reporting is discussed in more detail in part 10.

Part 6: Financial statements

6.1 Statement of financial activities

6.1.1 The accounts comprise a number of financial (or ‘primary’) statements that describe the financial position and performance of the academy trust. The first of these is the Statement of Financial Activities (the SOFA) which is essentially a record of income and expenditure. The SOFA does not follow the format of a conventional income and expenditure account. It is therefore covered here in some detail for the benefit of new academy trusts.

6.1.2 The SOFA includes:

- amounts brought forward from the previous year;
- incoming resources received, and the amounts spent, during the year; and
- amounts carried forward to the next year.

6.1.3 Whilst this is straightforward, the SOFA has some important additional features:

- in relation to its format:
  - it divides the academy’s financial activities into various ‘**funds**’, dependent upon the level of restriction placed upon the income and expenditure, and these appear as separate vertical **columns**;
  - it further divides the financial activities into various ‘subjective’ headings, dependent upon how they support the academy’s **charitable purposes**, and these appear as separate horizontal **rows**;
- and in relation to its content:
  - it records income and expenditure in the normally understood sense, such as the receipt of grants and the payment of wages and invoices. But it also records other types of activity that do not necessarily involve an exchange of money. The most relevant examples for an academy are the receipt of donated assets, such as buildings transferred from the local authority, and changes in the academy trust’s local government pension fund;
  - so when the SOFA is referred to as containing ‘income and expenditure’, what this really means is that it holds all types of incoming resource and resources expended, whether in cash, in kind, or gains/losses on assets.

6.1.4 The preparation of a SOFA is a requirement of the SORP. The structure of the SOFA is described in the SORP at paragraphs 82-93.

6.1.5 Each element of the SOFA is now considered.

6.1.6 Funds analysis (the columns)

6.1.7 The SOFA will generally include three columns for the current period representing the following funds.

6.1.8 **Unrestricted fund –** this contains resources which can be spent on any purpose at the discretion of the trustees, within the objects of the academy trust as set out in its governing documents. It would generally include the following incoming resources and related expenditure:

- fees for hiring out facilities such as rooms and sports pitches;
- fees from parents for private music tuition;
- fees from parents for private nursery provision;
- fees for school meals;
- proceeds from other trading activities including those of consolidated subsidiaries;
- donations with no restrictions attached.

6.1.9 **Restricted general fund –** this contains revenue (running costs) resources which can only be spent for particular purposes. It would include the following incoming resources and the related expenditure:

- EFA General Annual Grant (GAG);
- other EFA revenue grants such as pupil premium;
- other government revenue grants, including local authority funding for high needs pupils;
- donations with restrictions attached (i.e. received for specific revenue purposes);
- boarding activities if these are undertaken.

6.1.10 **Restricted fixed asset fund –** this contains resources to be spent for particular capital purposes including the following incoming resources and related expenditure (e.g. depreciation):

- EFA capital grants;
- other government capital grants;
- sponsorship monies received for capital projects; and
- donated fixed assets such as academy buildings transferred from the local authority.

6.1.11 Where unrestricted resources are spent for capital purposes this would not require a transfer of the resources from the unrestricted fund to the restricted fixed asset fund.

6.1.12 The SOFA may also include an **endowment fund** which should be shown as an additional column. This will relate to the small number of academy trusts that signed a 'deed of gift' with their sponsor between 2007 and 2012. Under this arrangement the sponsor pledged money to the academy trust to be invested on a permanent basis so as to generate a return which could be spent by the trust. As it affects only a few trusts the endowment fund column is not illustrated in the 'Coketown' model accounts but, where required, would be inserted to the right of the restricted fixed asset fund column.

6.1.13 The SOFA will include a further column showing the total of all funds at 31 August 2014, and a comparative column showing the total funds at 31 August 2013 (if the trust produced accounts for that prior year). The comparative column does not include a funds breakdown.

6.1.14 The fund balances at 31 August 2014 on the SOFA should agree with the fund balances shown on the balance sheet.

6.1.15 To facilitate the preparation of the accounts, and to demonstrate regularity in the use of funds, academy trusts should ensure that their accounting records adequately identify the nature of income and the associated expenditure (i.e. unrestricted, restricted, capital, endowment) arising during the year.

6.1.16 Income and expenditure categories (the rows)

6.1.17 The rows in the SOFA should further categorise incoming resources and outgoing resources according to the activity that produces or expends the resource. This is explained further below.

6.1.18 It is common for accounts and budgets to contain lines for staff costs, premises costs, office supplies etc. Under the Charities SORP the SOFA uses just three broad categories, with some limited sub-division, which reflects the 'fundraising nature' of charities. Analysis of these categories into conventional lines for staffing and non-staffing costs is achieved in the notes to the accounts. The three activity categories on the SOFA are:

- generated funds;
- charitable activities; and
- governance costs.

These are considered below. Categories can be omitted where there is nothing to report in the current and preceding period.

6.1.19 Generated funds

In the income section of the SOFA, the first category to appear is called **'Incoming resources from generated funds'**. This is divided into:

- **Voluntary income** – which includes gifts/donations/sponsorship whether in cash or in kind such as donated goods and services. A note to the accounts should provide a breakdown of voluntary income [note 3 in the model];
- **Activities for generating funds** – these are the trading and other activities carried out by the trust primarily to generate income for its charitable activities. For example it could include fundraising events, letting of property, shop income and proceeds from providing other goods and services other than for the benefit of the trust's charitable beneficiaries. Note 4 provides a breakdown.
- **Investment income** – this includes interest and dividends on investments and rent from investment properties [note 5].

In the expenditure section the first category is called **'Cost of generating funds'** which is divided into the following areas:

- **Costs of generating voluntary income –** this includes costs of fundraising, other than through trading, such as advertising and marketing;
- **Fundraising trading –** this includes costs incurred by trading for a fundraising purpose, such as costs of goods sold or services provided. In consolidated accounts this will include the costs incurred by a trading subsidiary;
- **Investment management costs** (if applicable).

6.1.20 Charitable activities

The second main category to appear on the income side of the SOFA is called **'Incoming resources from charitable activities'** which is divided into:

- **Funding for the academy trust's educational operations** [note 6 in the model] which includes grants such as EFA General Annual Grant, other EFA grants and other government grants, including local authority funding;
- **Provision of boarding activities** – this contains income received in respect of pupil boarding, where relevant.

In the expenditure section the corresponding category is called simply '**Charitable activities**' and is divided, in a comparable way, into:

- **Academy trust's educational operations** – this comprises all expenditure directly relating to the provision of education, and hence the large majority of expenditure from EFA grants. A note to the accounts [note 8 in the model] provides a conventional breakdown of this line. The main headings in the note are as follows:

Direct costs

- **Teaching and educational support staff** who are directly employed by the trust, for example teachers, teaching assistants, education welfare officers, cover supervisors, librarians, lab/workshop/technical assistants and exam invigilators;
- **Depreciation** of assets used for the curriculum;
- **Technology costs –** excluding capitalised items;
- **Educational supplies**;
- **Examination fees**;
- **Staff development**;
- **Educational consultancy**;
- **Other direct costs** not included elsewhere.

Support costs – these are costs that, whilst necessary to deliver an activity, do not themselves produce or constitute the output. They include central functions such as general administration, premises, finance and HR. Separate disclosure of support costs is required under the SORP, paragraph 192. Academy trusts should apply the following headings:

- **Support staff costs** who are directly employed by the trust, including finance directors, business managers and bursars, other finance and admin staff, premises managers and caretakers, maintenance and grounds staff, security staff, catering staff, cleaners, other staff not covered elsewhere;
- **Depreciation**;
- **Technology costs –** excluding capitalised items;
- **Recruitment**;
- **Maintenance of premises and equipment** – all costs other than costs of directly employed staff;
- **Cleaning** - all costs other than costs of directly employed staff;
- **Rent and rates**;
- **Energy costs**;
- **Insurance**;
- **Security and transport**;
- **Catering** – supplies, equipment and other costs other than those of directly employed staff;
- **Bank interest and charges**;

    - **Other support costs** not covered elsewhere such as utilities costs and bought-in professional services not related to the curriculum.
- **Provision of boarding activities** – this contains the costs associated with pupil boarding, where relevant. Here, direct costs include costs of goods and services and any other costs incremental in providing the boarding facility. Support costs include the costs of directly supporting that activity, e.g. staff costs, utilities, rent and rates and building maintenance etc.

6.1.21 Governance costs

The third category to appear on the SOFA is **'governance costs'**. Paragraph 210 of the SORP defines this as 'the cost of governance arrangements which relate to the general running of the charity as opposed to the direct management functions inherent in generating funds, service delivery and programme or project work'.

It will include:

- legal advice for trustees;
- external audit fees for the audit of the accounts;
- other audit fees;
- costs associated with constitutional and statutory requirements, eg the cost of trustee meetings such as support staff costs and trustees expenses.

Governance costs should be analysed in a note to the accounts [note 9 in the Coketown model].

6.1.22 Gross transfers between funds (including purchase of fixed assets from recurrent grant)

6.1.23 After setting out the incoming resources and resources expended for the year, the next row to appear on the SOFA is called **'gross transfers between funds'**

6.1.24 There may be many reasons to make a transfer between funds but, for an academy trust, it will often be to reflect the purchase of fixed assets from GAG.

6.1.25 Whilst GAG is intended to cover running costs it can be used also for the acquisition of fixed ('capital') assets, for example computer equipment, other equipment and building work.

6.1.26 The method of accounting for fixed assets **purchased from GAG** is to show the purchase as a fixed asset on the balance sheet and transfer an amount equal to the purchase price of the fixed assets **from the restricted general fund to the restricted fixed asset fund**. An annual depreciation charge for the asset will then be allocated against the restricted fixed asset fund column. This would result in the fixed assets being reflected in the restricted fixed asset fund.

6.1.27 It is important to recognise a transfer to the restricted fixed asset fund does not represent the depreciation charge on a fixed asset. That charge is instead represented as an expense against the value of the asset already in the fixed asset fund.

6.1.28 Transfers to the restricted fixed asset fund from GAG should only take place once the individual assets represented by the transfer have been purchased by the academy trust.

6.1.29 Transfers between funds may arise for other reasons. For example transfers could be made from unrestricted funds to restricted funds to support a deficit on restricted funds. However transfers from restricted funds to unrestricted funds would not generally arise unless the restriction has been released by the donor.

6.1.30 The SORP describes (at paragraph 214) a range of situations where a transfer between funds might arise.

6.1.31 Other recognised gains and losses

6.1.32 The next row to appear on the SOFA is '**other recognised gains and losses'**. This is one of the more technical areas of the SOFA and academies should ensure they have access to adequate professional support to address it.

6.1.33 Where relevant this item should be broken down under the following headings:

- **actuarial gains or losses on defined benefit pension schemes** - this will apply to all academy trusts' local government pension schemes and hence is illustrated in the Coketown model SOFA;
- **gains and losses on investment assets** – this is likely to apply largely to the small number of trusts holding investments in an endowment fund, although it can apply to other trusts with capital investments. It is not illustrated in the Coketown model; and
- **gains and losses on revalued fixed assets** - this is unlikely to arise for the majority of academies and hence is not illustrated in Coketown. But where relevant it represents those revaluation gains and losses on assets held for the academy trust's own use (not investment assets). It should not include impairment losses, or losses on disposal of assets held for the academy trust's own use, as these should be regarded as additional depreciation and included in the resources expended section of the SOFA. Equally gains on disposal on assets held for the academy trust's own use, should not be included here, but should be included under the other incoming resources section of the SOFA.

6.1.34 Apportionment of costs

6.1.35 Some items of expenditure may relate to more than one cost category. For example some staff may divide their time between day to day academy business (charitable activities) and fundraising activities.

6.1.36 Where this is the case the cost must be apportioned on a reasonable, justifiable and consistent basis – for example per capita (number of people involved), time basis, floor area occupied (potentially for some types of cost) or some other suitable basis. The degree to which items need to be apportioned will depend on the materiality of the amounts involved.

6.2 Income and expenditure account

6.2.1 A separate income and expenditure account is not generally required.

6.2.2 Ordinarily, to comply with the Companies Act 2006 and accounting standards (Financial Reporting Standard 3: Reporting Financial Performance), financial statements would include a profit and loss account (or an income and expenditure account in the case of a not-for-profit entity) plus a statement of total recognised gains and losses. Under the Charities SORP these statement would not normally be required because all of the income, expenditure, gains and losses of a charity are instead designed to be included in the SOFA. Academies should not therefore have to prepare an income and expenditure account and a statement of total recognised gains and losses.

6.2.3 An income and expenditure account and a statement of total recognised gains and losses would be required if the SOFA prepared by a charity did not identify the elements relating to income and expenditure separately from the elements relating to gains and losses. The format of the SOFA in the Accounts Direction makes this distinction.

6.2.4 The SORP provides a fuller explanation of the requirements at paragraphs 423 to 426.

6.2.5 An illustrative format for an income and expenditure account and statement of total recognised gains and losses is included on the next page. If used, it would be inserted immediately after the SOFA.

Model format of an income and expenditure account & statement of total recognised gains and losses

Coketown Academy Trust Limited
Income and Expenditure Account for the Year Ended 31 August 2014

	Notes	2014 £000	2013 £000
Income			
DfE/EFA General Annual Grant			
DfE/EFA Start up grants			
DfE/EFA capital grants			
Other DfE/EFA grants			
Other government grants			
Total income			
Expenditure			
Staff costs			
Non pay expenditure			
Premises			
Supplies and services			
Other			
Depreciation			
Total expenditure			
Net income for the year			

Statement of Total Recognised Gains and Losses for the Year Ended 31 August 2014

	Notes	2014 £000	2013 £000
Excess of income over expenditure for the year			
Actuarial (losses) gains on defined benefit pension schemes			
Endowment movement in the year			
Total recognised gains and losses for the year			
Net movement to (from) funds			
Endowments			
Restricted funds			
Unrestricted fund			

The income and expenditure account and statement of total recognised gains and losses are derived from the statement of financial activities on page **[x]** which, together with the notes to the financial statements on pages **[x to x]** provides full information on the movements during the year on all the funds of the academy trust.

All of academy trust's activities derived from continuing operations during the above two financial periods.

6.3 Balance sheet

6.3.1 The balance sheet provides a snapshot of the academy trust's financial position at 31 August. It does this by reporting its **assets and liabilities** and reconciling (balancing) these to the value of the **funds** reported in the SOFA.

6.3.2 Under section 414 of the Companies Act 2006 the balance sheet must be signed on behalf of the board by a director. In an academy trust this will be one of the trustees (usually the chairperson).

6.3.3 The balance sheet format for academy trusts is illustrated in the Coketown model. Definitions of the balance sheet elements are given below.

6.3.4 Assets

- **Tangible fixed assets** are those assets that have physical substance and are held for use towards the trust's activities on a continuing basis. All tangible fixed assets held by the academy trust must be included in this balance sheet category. It may include fixed assets acquired since the trust was established and fixed assets inherited from a predecessor school at the time of academy conversion. On the face of the balance sheet the only figure that should be disclosed is the net book value of fixed assets after deductions for depreciation and impairment. The notes to the accounts [note 13] should analyse the cost, depreciation, impairment (if any) and net book value of assets in the following categories:
  - land and buildings, analysed between freehold and leasehold;
  - furniture and equipment;
  - computer equipment and software;
  - motor vehicles;
  - assets under construction (if applicable).

  The notes must also disclose any acquisitions and disposals of fixed assets during the year. The maintenance of a fixed asset register should facilitate the correct accounting and disclosure of fixed assets in the accounts. Academy trusts should ensure their fixed asset register is kept up to date.

  Where academy trusts have entered into lease arrangements for land and buildings, part 8.6 of the Accounts Direction provides more detail of the accounting treatment required.

- **Investments –** will be shown as either fixed or current assets. Generally only investments which the trustees intend to realise without re-investment, will be current assets. All investment assets should be included at market value.

- **Stock –** this must be recognised at the lower of cost or net realisable value [note 14].
- **Debtors -** all amounts owing to the academy trust or prepaid by the academy trust should be included under this balance sheet heading. If any debts are due after more than one year they must be separately disclosed in a note to the accounts and where material in the context of total net current assets they should also be shown separately on the face of the balance sheet [note 15]. The trust should ensure that adequate schedules of debtors, prepayments and accrued income are available to support the entries on the balance sheet.
- **Cash at bank and in hand -** include the balances held in all academy trust bank accounts plus any miscellaneous cash holdings, eg petty cash balances.

6.3.5 Liabilities

- **Creditors –** include all amounts owed, accrued or deferred by the academy trust. The amount owed must be split between amounts falling due within one year and amounts falling due after more than one year [note 16]. The trust should ensure that adequate schedules of creditors, accruals and deferred income are available to support the entries in the balance sheet.
- **Defined benefit pension scheme asset/liability –** any asset or liability derived from a defined benefit pension scheme (calculated in accordance with Financial Reporting Standard 17: Retirement Benefits) must be included within this category and disclosed on the face of the balance sheet [note 28].

6.3.6 Funds

- **Restricted fixed asset fund –** this represents the cumulative amount carried forward in respect of funding received for fixed assets. It will predominately be government funds received but may include other funds from a sponsor or other donations. This fund can represent unexpended cash received for capital purposes or the carrying value of a funded fixed asset.
- **Restricted general fund –** the amount included in this fund represents the cumulative amount carried forward in respect of funding received for the academy trust’s running costs excluding fixed assets. It would predominantly be government funds but may include other funds from sponsors/other donors.
- **Pension reserve –** this reserve will relate to restricted funds. When there is a surplus or a deficit on a defined benefit pension scheme that results in an asset or a liability being recognised, the recognition of the pension asset or liability will result in the creation of a pension reserve. This reserve will be negative in the case of a liability.
- **Endowment funds –** this will contain the capital funds held in trust from sponsors under a deed of gift that may be permanent or expendable.

- **Unrestricted fund –** include in this fund any amounts not included in the above funds and which are available for general use.

6.4 Cash flow statement

6.4.1 'Financial Reporting Standard 1 (revised): Cash Flow Statements' requires a cash flow statement to be presented in the financial statements. The cash flow statement should list the cash flows for the period classified under the following standard headings, if arising:

- operating activities;
- dividends from joint ventures and associates;
- returns on investments and servicing of finance;
- taxation;
- capital expenditure and financial investment;
- acquisitions and disposals;
- management of liquid resources;
- financing;

the net effect of which should equal the increase/decrease in cash in the year.

6.4.2 Notes should analyse each of the cash flow headings. Not all of the standard headings will be applicable to a trust. The model illustrates the following notes:

- **Note 21: operating activities** – effectively this note links the cash flow statement to the other primary statements by illustrating **how the trust's surplus/deficit for the year reconciles to its change in cash during the year**. In technical terms it reconciles the 'net incoming/outgoing resources' (or 'net income') shown on the SOFA to the 'net cash inflow from operating activities shown on the cash flow statement'.
- **Note 22: returns on investment and servicing of finance** – this illustrates receipts resulting from the ownership of savings and investments, including bank interest received.
- **Note 23: capital expenditure** – this shows cash flows relating largely to the acquisition or disposal of fixed assets, but could also include those for current asset investments not included in liquid resources.
- **Note 24: analysis of changes in net funds** – this note reconciles the net increase/decrease in cash in the year to the movement in net funds/(debt).

6.4.3 Additional disclosure notes are required of material transactions not resulting in movements of cash if it is necessary for an understanding of the underlying transaction, for example the release of expendable endowments.

Part 7: Notes to the financial statements

7.1 Introduction

7.1.1 Notes to the financial statements must be prepared to provide the disclosures required to comply with UK Generally Accepted Accounting Practice and the SORP. The notes provide information on financially significant issues to aid the reader's understanding of the accounts.

7.1.2 The model financial statements illustrate the format of the notes that are required. Further information is included below to assist academy trusts when preparing their own notes.

7.2 List of notes required

7.2.1 Academy trusts' accounts should include the following notes if applicable. Additional notes may be required depending on the academy trust's own circumstances.

7.2.2 References relate to the note numbers used in the Coketown model. Click on the note number to go to it in the model.

General notes:

- note 1: accounting policies;

Income:

- note 2: GAG carry forward test (if applicable – omit if the trust is not subject to a GAG carry forward limit);
- note 3: voluntary income;
- note 4: income from activities for generating funds;
- note 5: investment income;
- note 6:funding for the academy trust's educational operations;

Expenditure:

- note 7: resources expended divided between staff costs, premises costs and other costs;
- note 8: charitable activities divided between direct costs and support costs;
- note 9: governance costs;
- note 10: staff costs;
- note 11: trustees' remuneration and expenses;

- note 12: trustees' and officers' insurance;

Assets:

- note 13: tangible fixed assets;
- note 14: stock (if applicable);
- note 15: debtors;

Liabilities, funds and other notes:

- note 16: creditors;
- note 17: funds;
- note 18: analysis of net assets between funds;
- note 19: capital commitments (if applicable);
- note 20: financial commitments (if applicable);
- notes 21 to 24: reconciliation of cash flow;
- note 25: guarantees, letters of comfort and indemnities (if applicable);
- note 26: contingent liabilities (if applicable);
- note 27: members liability;
- note 28: pension schemes;
- note 29: other related party transactions;
- note 30: events after the balance sheet date (if applicable);
- note 31: boarding trading account (if applicable - for academy trusts with pupil boarding facilities).

7.3 Note on accounting policies

7.3.1 Accounting policies [note 1 in the Coketown model] are the principles, bases, conventions and rules by which transactions are recognised, measured and presented in the accounts. They are supplemented by estimation techniques where judgement is required in recording the value of incoming and outgoing resources. These should be the most appropriate in the particular circumstances for each academy trust for the purpose of giving a true and fair view. Where accounting standards permit a choice this should be made against the objectives of relevance, reliability, comparability and understandability.

7.3.2 The accounting policies adopted should be reviewed regularly and adopted by the trustees, and new policies only implemented if required by new accounting standards or where it is judged to provide a fairer presentation of the results and financial position of the academy trust. Where a material change in accounting policy occurs a prior period adjustment is required. A prior period adjustment is where the comparative figures in the primary statements (the SOFA, balance sheet, cash flow statement) and notes are restated and the opening balance of reserves is restated for the cumulative effect of the change. Additional disclosure would be required in this instance.

7.3.3 The SORP (paragraphs 362-370) provides a detailed list of policies that would be expected, where applicable, for charities. The accounting policies note for the academy trust should cover the following areas, where applicable. Those listed are not intended to be exhaustive and may need to be amended to reflect the individual circumstances of each academy trust.

7.3.4 Multi-academy trusts should review whether their accounting policies are being applied consistently across their constituent academies.

7.3.5 **Basis of preparation –** This is a statement regarding the cost convention adopted, which for academy trusts will be the historical cost convention. Where an academy trust has investment assets it would be required to adopt an historical cost convention as modified by the inclusion of investments at market value. It will also include a statement by the trustees that the accounts have been prepared in accordance with applicable law and accounting standards and that they have been prepared in accordance with the requirements of the Accounts Direction.

7.3.6 **Going concern –** In October 2009 the Financial Reporting Council issued guidance for directors of UK companies on going concern and liquidity risk. This guidance is best practice and recommends including disclosures regarding the assessment of the going concern principle. For more information, academies should familiarise themselves with this guidance.

7.3.7 **Recognition of incoming resources** – This should include the policy for including each type of material incoming resource. This will normally be on a receivable basis. In particular for an academy trust it would be expected to include policies for the following:

- The basis of recognition of GAG and other grants including those for fixed assets and how the grants are analysed between the different types of incoming resources.
- Gifts in kind and donated assets/services:
    - Assets donated by third parties are recognised at their fair (open market) value in the period in which they are receivable in incoming resources, where the benefit to the academy trust can be reliably measured. An equivalent amount should be recognised in the appropriate fixed asset category and depreciated over its expected useful economic life on a basis consistent with depreciation policy for that category.

- Also under this category might be services in kind such as time provided by a sponsor. These incoming resources should only be included in the SOFA where the benefit to the academy trust is reasonably quantifiable and measurable. The value of these services should be the estimated value to the academy trust of the service; this will be the price the academy trust estimates it would pay in the open market for the service. An equivalent amount would be included in expenditure under the appropriate heading in the SOFA. The notes to the accounts should give an analysis of donated services. The accounting policies should indicate the basis of valuation used.

7.3.8 **Resources expended –** The policy will need to cover the following areas:

- **the policy for recognition of liabilities including constructive obligations;**
- **categorisation of resources expended** – this should include the policy for including items within the relevant activity categories, in particular differentiating between charitable activities (the direct provision of education), costs of generating funds and governance costs;
- **allocation and apportionment of costs** – the methods and principles adopted where it has been necessary to allocate or apportion costs between charitable expenditure, fundraising costs and governance costs. It should include the underlying principle i.e. whether based on staff time, salaries or space occupied or other. Where the costs apportioned are material, then further clarification on the method of apportionment used is necessary including the proportions used to undertake the calculations.

7.3.9 **Accounting for fixed assets –** The policy should include:

- the basis for inclusion of tangible fixed assets, which is expected to be cost;
- the value, if any, below which items are not capitalised as fixed assets. In applying this ‘capitalisation limit’ trusts should have regard to the potential for misstating the accounts if individually low value assets, that are collectively of a material value, are not capitalised. As best practice, therefore, assets bought together as a set (eg a batch of network computers) should be capitalised as a group;
- the policy for buildings under construction;
- accounting for assets funded by grants;
- the rates of depreciation; and
- policy with respect to impairment reviews.

7.3.10 Where a fixed asset has been gifted or donated, at nil value or an undervalue, the initial carrying amount should be the fair (open market) value at the date of receipt – ie the price that the trust estimates it would pay in the open market for the item.

7.3.11 Where circumstances indicate that the carrying value of an asset may not be recoverable then 'Financial Reporting Standard 11: Impairment of Fixed Assets and Goodwill' requires an impairment review to be undertaken. Where, following an impairment review, the asset has a recoverable amount (the higher of value in use and net realisable value) that is significantly below the carrying value, then an impairment loss should be recognised and the asset's carrying value reduced to the recoverable amount. Where an impairment review is required, FRS 11 should be referred to but any assessment of value in use in charities can take account of service potential as well as cash flow generation (see SORP paragraph 268).

7.3.12 Depreciation should be provided for in accordance with 'Financial Reporting Standard 15:Tangible Fixed Assets', and the basis used disclosed in the financial statements. Individual academy trusts should determine appropriate depreciation rates, based on the assessment of the useful economic life and expected residual value when the assets are acquired. Freehold land must not be depreciated. If the estimated remaining useful economic life of the tangible fixed asset exceeds 50 years, or no depreciation is charged on an asset on the grounds it would be immaterial, a review for impairment in accordance with FRS 11 should be made at the end of each reporting period.

7.3.13 It is unlikely that an academy trust will follow a policy of revaluation of tangible fixed assets. However, if an individual fixed asset is revalued, all other fixed assets in that class (e.g. all buildings) will need to be revalued at the same time. If a policy of revaluation is adopted then a full valuation, undertaken by a qualified valuer, will be required at least every 5 years. Interim valuations will be required where it is likely that there has been a material change in value.

7.3.14 Where grants (capital grants) are received for the specific purpose of acquiring and retaining a fixed asset for the academy trust's charitable purposes, they should be credited to the restricted fixed asset fund in the SOFA. The asset should be depreciated over its expected useful economic life on a basis consistent with the depreciation policy.

7.3.15 **Leasing** – Rentals under an operating lease should be charged on a straight-line basis over the lease term unless another more systematic and rational basis is more appropriate. Finance leases must not be taken out by academy trusts without the consent of the Secretary of State as they represent borrowing. DfE's current policy is that consent for finance leases and other borrowing by academy trusts is not given. Some academies will occupy land or premises, which are owned by other bodies for which no annual or only a nominal rental payment is made (see later information on buildings (part 8.6) for the accounting treatment of such matters).

7.3.16 **Investment assets** – In accordance with paragraphs 296 and 297 of the SORP, fixed asset investments should be carried at fair (market) value, or the trustees' best estimate of market value, at the balance sheet date. Most freely tradable investments will have a readily available market price (e.g. shares on a recognised exchange).Shares in unlisted companies may be valued by reference to their underlying net assets or earnings. Where the cost of obtaining a valuation outweighs the benefit to the user of the accounts the investment may be included at cost. All changes in value in the year, whether or not realised, should be reported in the 'gains and losses on investment assets' section of the SOFA. Fixed asset investments should be classified as a separate category within fixed assets. Current asset investments should be carried at market value. They should only be included in current assets where there is an intention to realise the asset without the reinvestment of the sales proceeds.

7.3.17 **Stock** – If material, stock should be brought into account at the lower of cost or net realisable value.

7.3.18 **Pension benefits** – Academy trusts will have defined benefit obligations in respect of two schemes:

- the Teachers' Pension Scheme England & Wales (TPS); and
- the Local Government Pension Scheme (LGPS).

7.3.19 Both schemes are multi-employer schemes. The academy trust can identify its share of assets and liabilities within the LGPS on a consistent and reasonable basis and therefore should recognise a surplus or deficit on the scheme within the financial statements. The Teachers' Pension Scheme should be accounted for as a defined contribution scheme as the academy trust's share of the underlying assets and liabilities of the scheme cannot be identified on a consistent and reasonable basis. The contributions should be recognised as they are paid each year. Note 28 in the Coketown model illustrates the disclosure.

7.3.20 **Provisions –** These are liabilities of uncertain timing or amount that will be settled by the transfer of economic benefits (e.g. payment). They should be recognised in the balance sheet, but only when:

- the academy trust has a present obligation (legal or constructive) as a result of a past event;
- it is **probable** that a transfer of economic benefit will be required to settle the obligation; and
- a **reliable estimate** can be made of the amount of the obligation.

7.3.21 **Contingent liabilities –** Unlike provisions, contingent liabilities are not recognised in the balance sheet but instead are disclosed in a note to the accounts. Contingent liabilities are one of the following:

- a **possible** obligation that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the academy trust's control; or
- a present obligation that arises from past events but is not recognised because:
  - it is **not probable** that a transfer of economic benefits will be required to settle the obligation; or
  - the amount of the obligation **cannot be measured** with sufficient reliability.

7.3.22 As a rule of thumb, **'probable' means more than 50% likely**. It is important to remember that:

- contingent liabilities (including obligations that **are not probable**) do not result in the recognition of an amount on the balance sheet and instead are disclosed as a narrative note to the accounts [note 26];
- on the other hand obligations that **are probable** would result in a provision being made for the amount on the balance sheet.

An example of a matter that may result in a contingent liability is where a staff member has made a claim for wrongful dismissal against the academy trust and this may result in an employment tribunal case.

7.3.23 **Contingent asset –** is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the academy trust's control. An example of a matter that may result in a contingent asset is where the academy trust has made an insurance claim.

7.3.24 **Funds –** represent the incoming resources received, that have not been expended in the year. A brief description should be given of the different types of funds held by the academy trust, including the policy for any transfers between funds and allocations to or from designated funds.

7.4 Note on GAG carried forward

7.4.1 Historically academy trusts' funding agreements contained limits on the amount of GAG that could be carried forward from one year to the next. The 2012 Academies Financial Handbook announced the removal of the limits, with effect from 1 September 2012, so that trusts can keep money aside for when it is needed most.

7.4.2 New academy trusts are therefore free of GAG carry forward limits but older trusts remain subject to limits until such time as the relevant clauses are changed in their funding agreements, by agreement with DfE.

7.4.3 Academy trusts subject to GAG carry forward limits

7.4.4 For trusts still subject to GAG carry forward limits in their funding agreement at 31 August 2014, a note is required in the accounts [note 2 in the Coketown model] confirming whether the limits have been exceeded. A detailed calculation does not have to be included within the note. Instead a simple narrative disclosure should be made, as illustrated in the model.

7.4.5 The maximum amount that can be carried forward is an amount equal to 12% of the GAG awarded for the year just ended unless agreement has been given by DfE to vary this limit. This amount can be used as follows:

- an amount equivalent to 2% of the total GAG received in the preceding year may be used for any purposes for which GAG is paid including any expenditure set out in the next bullet point;
- an amount equivalent to a further 10% of the total GAG received in that year may be used for the upkeep and improvement of premises and capital expenditure.

7.4.6 EFA may require any unspent GAG in excess of the 12% threshold to be surrendered. Academy trusts with an excess of GAG should consider whether this requires a provision, or a contingent liability noting, in the accounts. If a provision is made the amount should be included in the notes to the accounts.

7.4.7 The following funding streams are included as GAG for the purposes of calculating the carry forward allowance:

- school budget share
- minimum funding guarantee;
- education services grant;
- insurance;
- rates;
- pre-16 high need funding;
- post-16 high needs funding.

7.4.8 The following funding streams are not included as GAG for carry over purposes:

- pupil premium;
- start-up grants.

7.4.9 Where academy trust expenditure exceeds the level of GAG the balance should be funded from other resources.

7.4.10 Assessment of GAG carried forward against funding agreement limits

7.4.11 The following illustrative table may assist academy trusts in assessing whether their GAG limits have been exceeded:

Table: General Annual Grant (GAG)

a. Results and carry forward for the year

	£000
GAG brought forward from previous year	**66**
GAG allocation for current year	**4,257**
Total GAG available to spend	**4,323**
Recurrent expenditure from GAG	**(4,148)**
Fixed assets purchased from GAG	**(10)**
GAG carried forward to next year	**165**

b. Excess GAG

The academy trust's funding agreement allows 12% of GAG to be carried forward from one year to the next. The following calculation shows whether the 12% limit has been exceeded.

GAG carried forward to next year	**165**
Less maximum permitted GAG to c/f (12% of current year allocation)	**(511)**
GAG carried forward beyond limit, if positive result	**(346)**
(i.e. 12% limit exceeded if result is positive)	not exceeded

c. Use of GAG brought forward from previous year for recurrent purposes

The academy trust's funding agreement allows 2% of GAG carried forward to be used for recurrent purposes, with any balance, up to 12%, to be used for capital purposes. The following calculation shows whether the 2% limit has been exceeded.

Recurrent expenditure from GAG in current year	**4,148**
GAG allocation for current year	**(4,257)**
GAG allocation for previous year x 2%	**(81)**
GAG b/f from previous year in excess of 2%, used on recurrent expenditure in current year	**(190)**
(2% limit exceeded if result is positive)	not exceeded

7.4.12 The format of the note to include in the accounts for single-academy trusts is in part 3. The format for multi-academy trusts is in part 8.

7.4.13 Academy trusts not subject to GAG carry forward limits

7.4.14 Trusts that are not subject to GAG carry forward limits are not required to include a separate GAG carry forward note in their accounts. Instead they should make a declaration in the accounts that the limits do not apply. This should be included in the funds note [note 17 in the Coketown model].

7.5 Note on staff costs

7.5.1 A note is required [note 10 in the Coketown model] which discloses information relating to staff costs for the year, comprising:

- **total costs** for all employees, analysed as follows:
  - wages and salaries;
  - social security costs; and
  - other pension costs (this should include contributions payable under the TPS, and amounts charged to operating costs in respect of the LGPS, and not any items reported elsewhere i.e. interest cost, expected return on assets and actuarial losses);
  - supply costs;
  - staff restructuring costs including redundancy payments, severance payments and other costs for departing staff;
- the total value of **non-statutory/non-contractual severance payments**, plus individual disclosure of items over £5,000. The names of the recipients do not need to be disclosed;
- **the average number of full time equivalent employees** in the financial year, analysed between teaching, administration/support and management staff;
- **the number of employees whose emoluments during the year exceeded £60,000**, presented in £10,000 bandings (emoluments would include salary and other taxable benefits in cash or in kind, but not the academy trust's own pension costs);
- for employees with emoluments over £60,000 (as defined in the previous point):
  - a statement of the number of staff to whom **retirement benefits** are accruing under defined contribution and defined benefit pension schemes respectively, and the value of the contributions for the year;
- if there are no employees with emoluments above £60,000, this fact should be stated.

7.5.2 This disclosure of staffing costs is separate to the disclosure of remuneration paid to staff who are trustees. Disclosure of payments to trustees is covered in the next section.

7.6 Notes on related party transactions including trustees' remuneration

[See note 11 for trustees' remuneration and note 29 for other related party transactions]

7.6.1 Accounting standards require material transactions with related parties to be disclosed in accounts so that users of the accounts can gain a full understanding of them, and of issues that might have influenced them. Disclosure provides accountability and transparency to the public and demonstrates that potential conflicts of interest are being identified and reported.

7.6.2 'Financial Reporting Standard 8: Related Party Disclosures' was developed on this basis. FRS8 states that:

> 'In the absence of information to the contrary, it is assumed that a reporting entity…. pursues its activities independently of the interests of its owners, managers and others. Transactions are presumed to have been undertaken at arm's length…
>
> These assumptions may not be justified where related party relationships exist, because the requisite conditions for competitive, free market dealings may not be present. Whilst the parties may endeavour to achieve arm's length bargaining the very nature of the relationship may preclude this occurring.'

7.6.3 Types of related party

7.6.4 Under FRS8 related parties include:

- parties with **control** over, or controlled by, the entity, e.g. **parent & subsidiary companies***;*
- parties having **significant influence** over the entity;
- **key management personnel** of the entity, including any **director**, whether executive or otherwise;
- **close family members** of any of the above;
- others subject to control or significant influence by any individual referred to above.

7.6.5 It is important to note that related parties include a company's directors which, in the case of an incorporated charity such as an academy trust, would be its trustees. Further information can be found in the SORP at paragraphs 221 – 230 and glossary item GL50.

7.6.6 EFA is not deemed to be a related party simply by virtue of the funding it provides to the academy trust.

7.6.7 Types of related party transaction

7.6.8 Examples of related party transactions include the purchase, sale, lease or donation of goods, services, property, or money.

7.6.9 Information on related parties to be disclosed

7.6.10 Material transactions undertaken by an academy trust with related parties must be disclosed. Under the SORP disclosure must include:

- the names of the related parties;
- a description of the relationship between the parties;
- a description of the transactions;
- the amounts involved;
- the amounts due to or from related parties at the balance sheet date, and any provisions for doubtful debts or amounts written off.

7.6.11 Under the Accounts Direction the trust must also make a disclosure confirming whether related party transactions were at arms' length and in accordance with their financial regulations and procurement procedures. The text is illustrated at note 29 in the Coketown model accounts.

7.6.12 If no related party transactions arose in the period, the note must disclose this.

7.6.13 Disclosure of related party transactions with academy staff and trustees

7.6.14 Whilst the disclosure of material related party transactions with key management personnel is required under FRS8, this does not generally need to include the remuneration (salary and other benefits) paid to them as employees under their contract of employment.

7.6.15 However the SORP (at section 229(c)) does require disclosure of an employee's remuneration where the employee is also a trustee. This is because, unlike directors of commercial companies, it is not normal practice for charity trustees to receive remuneration from the charities for which they are responsible.

7.6.16 In relation to academies this means that related party disclosures include the following types of payment:

- salary and benefits paid to the principal and/or chief executive, in their capacity as staff, where as is usual they are an ex-officio governor and hence a director and trustee;
- salary and benefits paid to other staff, in their capacity as staff, where they are also trustees and hence directors.

7.6.17 In this situation the disclosure should clearly state that the individuals received the remuneration in respect of their employment as staff, not in respect of their work as academy trustees.

7.6.18 Under the SORP the disclosure must include the name of each trustee in receipt of remuneration and other benefits, and details of the amounts involved. EFA is content for these amounts to be presented in £5,000 bandings, so disclosure would be in the following form, plus comparative figures for the previous year:

- G Smith (principal and trustee) £75,000 - £80,000
- J Murray (staff trustee) £35,000 - £40,000
- A Smith (staff trustee) £35,000 - £40,000

7.6.19 Confidentiality cannot be used as a reason for non-disclosure of principals' and other trustees' remuneration in related party disclosures.

7.6.20 In addition to disclosure of trustees' remuneration the accounts must also disclose:

- the aggregated total of out of pocket expenses paid to trustees;
- any other related party transactions with trustees including payments for services under commercial contracts (for example payments for goods and services to a company owned by a trustee).

7.7 Notes on funds

7.7.1 Two notes must analyse the structure and position of the trust's funds:

- Note 17 should:
  - provide the opening balance of each fund, the movement in year (including any transfers between funds) and the closing balance;
  - in doing so, it should differentiate between restricted general funds, restricted fixed asset funds, unrestricted funds and any endowment funds as well as identifying any material individual funds contained within;
  - include a description of how each fund has arisen, the purpose of each fund and any restrictions imposed. An indication should be given of whether or not sufficient resources are held in an appropriate form for the fund to be applied in accordance with any restrictions. An explanation of the nature and reason for any transfers should also be given;
  - ensure any funds in deficit are separately disclosed. The circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit should also be disclosed.
- Note 18 should disclose the types of assets and liabilities representing each fund and the amounts of those assets and liabilities at the end of the period.

7.8 Note on financial commitments (operating leases)

7.8.1 A note is required disclosing details of operating leases [note 20 in Coketown]. Under paragraph 56 of SSAP 21 the note must disclose lease payments which the trust is committed to make during the **next year** (to 31 August 2015), analysed between those where the commitment expires within that year, in the second to fifth years inclusive, and over five years from the balance sheet date, showing separately the commitments for leases of land and buildings and other leases.

7.8.2 Paragraph 55 of SSAP 21 also requires the total of operating lease rentals charged as expenditure in the **current year** (to 31 August 2014) to be disclosed, analysed between plant and machinery leases and other operating leases. This information is disclosed in note 7 of the Coketown model.

7.9 Note on events after the balance sheet date

7.9.1 A note is required disclosing any events arising after the balance sheet date, as set out in FRS 21 [note 30 in the Coketown model]. These are events, favourable or unfavourable, that occur between the balance sheet date and the date the financial statements are authorised for issue. There are two types of events:

- those that provide evidence of conditions that existed at the balance sheet date. These are adjusting events and would require the amounts in the financial statements to be adjusted to reflect them – for example, the settlement of a court case that confirms the entity had a present obligation at the balance sheet date;
- those that are indicative of conditions that arose after the balance sheet date. These are non-adjusting events – for example, a decline in market value of investments between the balance sheet date and the date when the financial statements are authorised for issue. Where non-adjusting events are material and non-disclosure would influence the readers of the financial statements, then disclosure should be given of each material category of non-adjusting event after the balance sheet date.

Part 8: Specific topics and related accounting treatments

8.1 Multi-academy trusts

8.1.1 The term ‘multi-academy trust’ refers simply to the inclusion of more than one academy within the same charitable trust company. They are sometimes called MATs, federations or chains.

8.1.2 Disclosure of academy-level information by MATs

8.1.3 Multi-academy trusts must produce a single set of accounts combining the results of all the academies within the trust. In certain areas information on the trust’s constituent academies is also required:

- **Trustees’ report** – Whilst this will give a description of the objectives set, the activities undertaken and the performance against objectives for the trust as a whole, it is expected that some information will be included about individual academies. The most appropriate content and format is at the trustees’ discretion.
- **Note 2: GAG carried forward** – Where the trust’s master funding agreement, and/or any constituent academy’s supplemental funding agreement, stipulates that the trust and/or a constituent academy has limits on the amount of unspent GAG it can carry forward from one year to the next, a note must be prepared disclosing whether the limits have been exceeded for any constituent academies. This disclosure note is not required if the trust is not subject to limits on GAG carried forward. A model format for the GAG note for a multi-academy trust is illustrated on the following pages. Part 7.4 provides a description of the carry forward limits for academy trusts generally.
- **Note 17: Funds** – EFA requires additional disclosures to be included by **all** multi-academy trusts at the foot of the funds note. These disclosures must:
    - identify the share of **funds attributable to each academy** at the end of the current period (other than pension reserve, fixed assets, and endowment funds if present);
    - provide a narrative describing the action being taken by any academy in respect of which the total of these funds is a **deficit**; and
    - identify the **amounts spent during the period by each academy** on:
        - teaching and educational support staff;
        - other support staff;
        - educational supplies;

- other costs.

The format of the funds note for a multi-academy trust, including the additional disclosures, is illustrated on the following pages. The format for a single-academy trust is in part 3.

8.1.4 Disclosure of central services by MATs

8.1.5 All multi-academy trusts must include an additional note to their financial statements giving details of any central charges that the trust made to its constituent academies during the year. The note must describe:

- the types of central services provided to the academies by the trust during the year;
- the trust's policy for charging for those central services. For example this might be based on a flat percentage of each academy's income, or on pupil numbers, or time-apportionment or some other suitable basis; and
- the actual charges placed on each academy for the services during the year.

8.1.6 An illustrative format for the note is on the following pages. Trusts have discretion to modify the format to suit their circumstances but the information in the above bullet points must be given.

8.1.7 If a multi-academy trust did not have a central management/services function and/or no central charges arose, these facts must be disclosed.

8.1.8 The note should be inserted after Note 10: Staff Costs in the Coketown model.

8.1.9 Disclosure of local government pension schemes by MATs

8.1.10 In relation to **Note 27: Defined benefit pension schemes**, MATs may have academies across more than one local government pension scheme. Where this arises the trust has some discretion over the amount of aggregation it applies in its pensions note. Under 'FRS 17 – Retirement Benefits' an employer with more than one defined benefit pension scheme is allowed to determine the level of separate disclosure which is considered most useful. The disclosures can be made in total, separately for each scheme or grouped as considered appropriate. Within the financial statements of a MAT, narrative should be included to describe each of the different schemes. If the assumptions used vary between the schemes this should be indicated in the notes. The other FRS 17 disclosures required can be grouped together unless it is considered useful by the federation to include the details of each scheme separately.

Model format for the GAG carry forward note for a multi-academy trust

Coketown Academy Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2014

[discussion at sections 8.1.3 and 7.4]

2 General Annual Grant (GAG)

This note is required **only** if the academy trust's funding agreement at 31 August 2014 contained limits on the amount of GAG that it was permitted to carry forward from one year to the next. If there were no limits, this must be stated in the funds note (note 17).

Under the funding agreement with the Secretary of State **[the academy trust was/some academies within the academy trust were]** subject to limits at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

Either state:

The following academies exceeded the limits during the year ended 31 August 2014:

Boomtown Academy
Hopetown Academy

All other academies within the trust that were subject to limits did not exceed them.

Or state:

No academies within the trust exceeded the limits during the year ended 31 August 2014.

Model format for the central services note for a multi-academy trust

Coketown Academy Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2014

11 Central Services

The academy trust has provided the following central services to its academies during the year:

Include list of services, such as:

- human resources;
- financial services;
- legal services;
- educational support services; or
- others as arising.

The trust charges for these services on the following basis:

Enter details, such as:

- flat percentage of income (state percentage);
- amount per pupil (state amount);
- time-apportioned (describe basis); or
- other bases as arising.

The actual amounts charged during the year were as follows:

	2014 **£000**
Boomtown Academy	30
Hopetown Academy	20
Newtown Academy	61
	111

Alternatively if the trust did not have a central management/services function and/or no central charges arose this must be disclosed. Suggested text is below:

No central services were provided by the trust to its academies during the period and no central charges arose.

Model format for the funds note for a multi-academy trust

Coketown Academy Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2014

[discussion at section 8.1.3]

17 Funds

	Balance at 1 September 2013 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2014 £000
Restricted general funds					
General Annual Grant (GAG)	66	4,257	(4,148)	(10)	**165**
Start Up Grant	-	-	-	-	**-**
Other DfE/YPLA grants	-	92	(92)	-	**-**
Provision for boarding	-	-	-	-	**-**
Pension reserve	(834)	-	(87)	(133)	**(1,054)**
	(768)	4,349	(4,327)	(143)	**(889)**
Restricted fixed asset funds					
DfE/YPLA capital grants	8,591	1,224	(694)	-	**9,121**
Capital expenditure from GAG	30	-	(3)	10	**37**
Private sector capital sponsorship	1,189	344	(173)	-	**1,360**
	9,810	1,568	(870)	10	**10,518**
Total restricted funds	**9,042**	**5,917**	**(5,197)**	**(133)**	**9,629**
Unrestricted funds					
Unrestricted funds	66	38	(14)	-	**90**
Total unrestricted funds	66	38	(14)	-	**90**
Total funds	**9,108**	**5,955**	**(5,211)**	**(133)**	**9,719**

The specific purposes for which the funds are to be applied are as follows:

For each fund held during the year provide a description of how the fund has arisen and the nature of any restrictions imposed.

In relation to GAG funds, also state either:

Under the funding agreement with the Secretary of State, the academy trust was subject to limits on the amount of GAG that it could carry forward at 31 August 2014. Note 2 discloses whether the limits were exceeded.

or:

Under the funding agreement with the Secretary of State, the academy trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2014.

Note 17 for a multi-academy trust continues on next page. All multi-academy trusts must complete the next page.

Model format for the funds note for a multi-academy trust

Coketown Academy Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2014

17 Funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 20143 were allocated as follows:

	Total £000
Boomtown Academy	**300**
Hopetown Academy	**155**
Newtown Academy	**(205)**
Central services **[if applicable]**	**5**
Total before fixed assets and pension reserve	**255**
Restricted fixed asset fund	**10,518**
Pension reserve	**(1,054)**
Total	**9,719**

Newtown Academy is carrying a net deficit of £205k on these funds because:

Give brief details.

The trust is taking the following action to return the academy to surplus:

Give brief details.

Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding Depreciation) £000	Total £000
Boomtown Academy	1,500	300	150	300	**2,250**
Hopetown Academy	650	50	73	100	**873**
Newtown Academy	788	76	100	143	**1,107**
Central services **[if applicable]**	-	70	-	41	**111**
Academy Trust	**2,938**	**496**	**323**	**584**	**4,341**

8.2 Subsidiary companies and group accounts

8.2.1 The governing documents (articles of association) of academy trusts generally allow the formation of subsidiary companies. Often these will be formed to run trading activities, with their surpluses gift-aided to the trust for the benefit of the academy.

8.2.2 Where the academy trust has a subsidiary company, consolidated 'group accounts' may be required whereby the results of both the parent and subsidiary companies are included together in the trust's financial statements.

8.2.3 Paragraph 383 of the SORP explains that a charity must prepare group accounts where it is either a requirement of company law (generally by exceeding the 'small' company size criteria in the Companies Act) or where the gross income of the group exceeds the threshold set by regulations under the Charities Act (where the aggregate gross income of the group exceeds £500,000 after consolidation adjustments).

8.2.4 However, there is an exception if it meets the exemption criteria in 'Financial Reporting Standard 2: Accounting for Subsidiary Undertakings'. The most likely criteria that would apply to an academy trust is that its subsidiaries are individually and collectively immaterial.

8.2.5 If an academy trust is unsure whether group accounts are required it should discuss with its auditor.

8.2.6 Where an academy has a subsidiary and consolidation arises:

- the academy trust's accounts must include a consolidated balance sheet for the group (parent plus subsidiaries) in addition to a balance sheet for the parent;
- the trustees' report must comment on the trading performance of each subsidiary;
- the notes to the accounts (unless the subsidiary is not material) must specify: the name of the subsidiary, particulars of the academy trust's shareholding, how the activities of the subsidiary relate to those of the academy trust, the aggregate amount of capital and reserves, aggregate assets and liabilities, a summary of turnover, expenditure and profit or loss of the subsidiary.

8.2.7 Paragraphs 396 to 397 of the SORP state that there should also be two SOFAs (one for the group and one for the parent) but that consolidated accounts omitting the SOFA for the parent are acceptable provided the notes to the accounts clearly disclose the gross income and results of the parent.

8.2.8 Where an academy has a subsidiary and consolidation does not arise:

- the trustees' report must comment on the trading performance of each subsidiary;
- the notes to the accounts (unless the subsidiary is not material) must specify: the name of the subsidiary, particulars of the academy trust's shareholding, how the activities of the subsidiary relate to those of the academy trust, the aggregate amount of capital and reserves, aggregate assets and liabilities, a summary of turnover, expenditure and profit or loss of the subsidiary; and
- a statement must be included in the notes disclosing the fact that the accounts present information about the academy trust as an individual undertaking and not as a group. This statement must also include reference to a note giving the grounds on which the academy trust is not preparing group financial statements.

8.2.9 The academy trust will need to consider the nature of the subsidiary's activities to determine which fund they should fall under within the consolidated accounts. Generally however the results of trading activities through an academy's subsidiary would be part of unrestricted funds.

8.3 Accounting for government grants

8.3.1 Paragraphs 94 and 104 of the SORP explains that incoming resources should be recognised in the accounts when three factors are met:

- **entitlement** – that is to say, when the charity has control over the future application of the resources (e.g. when it has been expressed in writing, subject to any **conditions** that may be attached);
- **certainty** – when it is virtually certain that the resource will be received;
- **measurement** – when the value of the resource can be reliably measured.

8.3.2 In relation to government grants received by academies:

- grants received to support general activities over a specified period should be recognised in the period in respect of which they are paid (per Statement of Standard Accounting Practice (SSAP) 4 – Accounting for Government Grants).For example:
  - GAG and other grants paid for the year ending 31 August would be recognised in full in that year, with any unspent amount at 31 August being reflected as a balance in restricted general funds at that date;
  - other general grants paid in respect of a year ending 31 March would instead be recognised in **that** year and should be apportioned over two academy accounting periods. This currently includes pupil premium grant;
- grants received for capital purposes (to provide for fixed assets) should be recognised when they are 'receivable', ie when there is entitlement, certainty

and measurement. This currently includes Academies Capital Maintenance Fund grants. Paragraph 111 of the SORP states that capital grants should not be deferred over the life of the asset.

8.4 Accounting for abatement of GAG

8.4.1 The term 'abatement' is used to describe the repayment of GAG by an academy trust to EFA by making a deduction from a subsequent GAG instalment. Abatement can arise:

- where a trust's funding agreement provides for the payment of GAG based on estimated pupil numbers and for the recovery of an excess in the event that actual pupil numbers are less than the estimate; or
- where a converter academy inherits a budget deficit from its predecessor school which is to be repaid to EFA.

Abatement may arise for other reasons.

8.4.2 Academy trusts should consider carefully how and when abatements should be reflected in their accounts:

- Where the amount and timing of the abatement has been agreed at 31 August it is likely that the trust will need to include EFA as a **creditor** within that year's balance sheet. The abatement should also be disclosed as a separate line in the creditors note supporting the accounts.
- Where the abatement is not agreed at 31 August the trust should consider whether a **provision** for it should be made within the balance sheet in that year in accordance with 'Financial Reporting Standard 12: Provisions, Contingent Liabilities and Contingent Assets'. As described in sections 7.3.20 to 7.3.22 of the Accounts Direction a provision would be appropriate only where the obligation to pay is probable (more than 50% likely) and a reliable (reasonable) estimate can be made of its amount. If a provision is made it should also be disclosed in a note to the accounts.

8.5 Accounting for sponsorship donations including endowments

8.5.1 Sponsor contributions were a key part of the academies programme prior to the Academies Act 2010. An initial feature of the programme was the requirement for sponsors to make a capital contribution (10% but capped to £2m) for the school building. This was then replaced by an endowment model whereby the sponsor created an endowment fund, from which the investment return provided additional income for the academy trust. From 2012 the requirement for academies to obtain endowment sponsorship ceased, although contributions may still be received by local arrangement. Academies may also receive general charitable donations.

8.5.2 General donations in cash

8.5.3 Cash donations given by supporters and the public would be treated as voluntary income in the SOFA and either placed in the unrestricted fund (if received for use at the discretion of the trust), in the restricted fixed asset fund (if received for capital purposes) or otherwise in the restricted general fund. There is a different treatment for cash donations into an endowment fund, which is discussed later in this section.

8.5.4 Donations in kind

8.5.5 From time to time an academy trust may receive donations in kind.

- An example would be the donation of fixed assets, such as computers, instead of a donation of cash to buy the computers. In this situation the usual treatment is for the value of the donation to be credited as voluntary income, with a corresponding debit to fixed assets, in the restricted fixed asset fund and for it then to be depreciated in accordance with the trust's normal accounting policies. On a larger scale many academies will inherit their school buildings at the point of academy conversion, as a donation (whether leasehold or freehold), from the local authority. Here the principles are the same – the value of the building would be treated as income in the fixed asset fund, and then depreciated annually. The treatment of buildings is discussed in more detail later in the section.
- Another example could be the donation of services by an individual or entity as part of their trade or profession. Here the value of the donation to the academy would be included as income with a matching amount of notional expenditure. This is different to the treatment for 'volunteers' whose contributions should be excluded from the accounts as their value cannot be reasonably quantified, although information on such contributions should instead be included in the trustees' report where it is necessary for the user of the accounts to obtain a better understanding of the trust's activities.

8.5.6 Paragraphs 121 to 136 of the SORP provide further guidance on accounting for donations.

8.5.7 Donations into an endowment fund

8.5.8 Between 2007 and 2012 some academies entered into an agreement with their sponsor (called a 'deed of gift') where the sponsor pledged money to be invested on a permanent basis to generate a return which could be spent by the academy. This money was placed into an endowment fund held by a separate unincorporated charity as a 'special trust' of which the academy trust was the sole corporate trustee. In view of this relationship an endowment fund is treated as part of the academy trust and must be aggregated rather than consolidated within the academy trust's financial statements (per SORP paragraph 383 (d)).

8.5.9 There are a number of areas where disclosure will be required in the financial statements for endowment funds and these are set out below.

8.5.10 **Statement of Financial Activities (SOFA)** – the endowment fund must be shown as a separate column on the face of the SOFA. It is only in the years when new endowment capital is received that there will be income shown within the endowment fund column. However, note that:

- if a part of the endowment fund is held in investments, the gains or losses arising on the value of the investments must be shown in the endowment fund column in the SOFA; whereas
- any income generated from the endowment fund (e.g. bank interest, investment returns) should not be shown in the endowment fund but should instead be shown in either the academy trust's restricted or unrestricted funds depending on the terms set out in the deed of trust. The corresponding expenditure should be treated on the same basis. Any income not spent at the year-end should be carried forward in the appropriate restricted or unrestricted fund. Where the endowment fund is held as investments, any investment management costs should be included in the endowment column.

8.5.11 **Balance Sheet** – the endowment fund must be shown as a separate line in the 'funds' section in the bottom half of the balance sheet.

8.5.12 **Cash Flow Statement** – movements in endowment funds should not be included in the 'operating activities' section of the cash flow statement but treated as increases or decreases in the 'financing' section. This is achieved as follows:

- cash donations to the endowment funds should be treated as additions to the endowment fund in the 'financing' section, by inclusion of a line 'Additions to endowment funds' which will show a positive balance from the receipt of new endowment capital; and
- receipts and payments from the acquisition and disposal of investments should be shown gross in the 'capital expenditure and financial investment' section. A single row should then be included in this section showing the net movement in cash flows attributable to endowment assets. A corresponding row should be included in the 'financing' section for the same amount. The row in the 'financing' section should reflect the cash into/(cash out of) the endowment fund.

8.5.13 Notes to the financial statements:

- **accounting policies note** – within the 'fund accounting' section in the accounting policies note an explanation should be added to set out the nature of the endowment fund, i.e. whether it is a permanent endowment fund (as is generally the case for academies) or an expendable endowment fund, and how the income generated from the fund is treated, i.e. whether the income generated from the fund is restricted or unrestricted. An explanation should be included setting out how the endowment fund has been incorporated into the financial statements – i.e. aggregated rather than consolidated;

- **movement on funds note** – a similar note to that required for other funds should also be prepared, showing the movement from the opening funds position to the closing position;
- **split of assets note** – should also show the proportion of the net assets at the year-end, which are included with the endowment fund.

8.6 Accounting for buildings

8.6.1 This section describes the main scenarios under which a trust holds buildings and explains how these should be accounted for. It is not exhaustive, and other scenarios may apply. If applicable, trusts should discuss with their auditor.

8.6.2 New buildings procured from DfE grant

8.6.3 When the academies programme was first established the majority of academies were directly funded by DfE (or its predecessor) for the construction and/or refurbishment of their buildings. Such buildings are capitalised within the financial statements of the academy trust and depreciated over their expected useful life. The capital grant received from DfE is recognised as income within restricted fixed asset funds and the fund is reduced over the life of the relevant asset on a basis consistent with the depreciation policy.

8.6.4 During the period that the buildings are still under construction they are accounted for as fixed assets at cost within the academy trusts financial statements, but are not depreciated until they are brought into use. During this construction phase the fixed asset cost should comprise only those costs that are directly attributable to bringing the asset into working condition for its intended use.

8.6.5 New buildings procured through Partnership for Schools (PFS)/Building Schools for the Future

8.6.6 More recently new academy buildings were constructed under local authority control, for example within the former Partnership for Schools/Building Schools for the Future programmes.

8.6.7 While the building is under construction, the local authority will record the building costs and there will be no transactions recorded in the financial statements of the academy trust. When construction is completed, a lease is established between the local authority and the academy trust for the use of the school land and buildings. The lease should then be accounted for in the academy trust's financial statements with reference to Statement of Standard Accounting Practice 21 or Financial Reporting Standard 5. Where a lease transfers substantially all the risks and rewards of ownership of the asset to the lessee (i.e. to the academy trust) the asset would be capitalised as a fixed asset in the lessee's accounts. On the basis that the land and buildings would generally be leased to the academy trust, at no rent, the cost of the land and buildings would be recognised as a one off credit to voluntary income (donations in kind) within the SOFA.

8.6.8 Existing buildings leased from predecessors and other organisations

8.6.9 A maintained school converting under the Academies Act 2010 may continue to occupy the predecessor school's premises on a long-term basis under a lease, often at nil or peppercorn rental. An independent school may be in the same circumstances. A free school may also lease its buildings.

8.6.10 The accounting treatment needs to be considered with regard to SSAP 21 and FRS5. Where it is determined that the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the academy trust the asset should be recognised on the balance sheet as a fixed asset, with a corresponding entry to voluntary income as a gift in kind. This reflects accounting treatment for the asset based on the substance of the agreement (i.e. the transfer of the buildings in a form akin to the academy trust taking ownership) rather than being based on the legal form of the agreement (a long term lease). This will generally apply to all types of maintained school that convert to academy status, including voluntary (church) schools.

8.6.11 Where this arises it will be necessary, and should be practical, to determine an appropriate fair value for the asset (a reasonable estimate of the current value the trustees would have to pay in an open market for an equivalent item). Whilst there is no absolute requirement for a professional valuation, the trustees need to determine a reasonable and reliable estimate of the current value with supporting assumptions, and they may feel that they can only do this by obtaining an independent valuation. The trustees could therefore instruct a chartered surveyor or obtain assistance from the relevant local authority. Insurance valuations are unlikely to be appropriate if they represent simply the re-building cost of the asset rather than its fair value.

8.6.12 The notes to the accounts should disclose the nature of the arrangements and their impact on the financial statements, and the accounting policy note should explain how the asset has been recognised including the basis of valuation.

8.6.13 In subsequent years the value of the school building should be depreciated in accordance with the academy trust's depreciation policy.

8.6.14 Existing buildings leased and occupied temporarily

8.6.15 Where an academy trust is leasing an existing school building on a short-term basis until a new building is ready for use, again the nature of the leasing arrangement should be reviewed to determine the appropriate treatment in accordance with SSAP21. It is likely that the arrangement will be an operating lease, and therefore the asset should not be capitalised. Disclosure should be given in the notes to the financial statements to explain the accounting arrangements for the assets.

8.6.16 If the assets are occupied under an operating lease any rental cost will simply be accounted for as expenditure. In the event that no rent, or below-market rent, is charged the academy trust needs to assign a notional market rent, which should be recognised as an expense in the SOFA with a corresponding notional donation under voluntary income.

8.6.17 Existing buildings where legal title is transferred from predecessor organisations

8.6.18 Generally existing buildings will be leased by the academy trust. However in the event that the freehold, rather than leasehold, is acquired by the academy trust the buildings should be accounted for in accordance with ‘Financial Reporting Standard 15: Tangible Fixed Assets’.

8.6.19 The value of the buildings would be credited as income, with a corresponding debit to fixed assets, within the restricted fixed asset fund, and depreciated over their expected useful life.

8.7 New converter academy issues

8.7.1 On conversion to academy status an academy trust may inherit other assets and liabilities, additional to their buildings, which need to be reflected in the accounts.

8.7.2 Other fixed assets

8.7.3 Fixtures, fittings, ICT and other tangible fixed assets may be transferred to the academy trust on conversion for its continued use. Where possible a reasonable estimate should be made of the current value to the academy trust of these assets. Whilst some of the assets may have negligible value, this is unlikely to be so in all cases. Where a reasonable estimate of the current value is made, the assets must be recognised in the balance sheet at that value within the restricted fixed asset fund, with a credit to voluntary income within the fund. The assets are then depreciated in accordance with the trust’s accounting policies.

8.7.4 The academy trust will need to identify any inherited equipment that is subject to leasing arrangements and determine whether those leasing arrangements are finance or operating leases, as defined in SSAP 21. Where they are determined to be operating lease then neither the lease nor the relevant asset will be recognised on the balance sheet. The operating lease costs will be accounted for as expenditure in the SOFA.

8.7.5 Where an outstanding finance lease is transferred with the relevant assets, it too should be recognised to the extent the academy trust has taken on the obligation with a corresponding debit in SOFA. The finance lease obligation is included in the balance sheet and accounted for as a finance lease in accordance with SSAP 21.

8.7.6 Budget surpluses and deficits inherited from LA funds

8.7.7 Where an academy opens under the Academies Act 2010 with a surplus or deficit on the predecessor school's budget this balance will be transferred to the academy trust.

- **Surpluses** - where there is a surplus brought forward, this should be shown as a credit on the SOFA. The funds will be unrestricted if there is no specific purpose attached to it and the trustees are free to use the fund at their discretion in furtherance of the academy trust's charitable objects.
- **Deficits** – where there is a deficit brought forward, this will be shown as a debit on the SOFA. Depending on which funds will be used to repay the deficit to EFA , it will either be shown under restricted or unrestricted funds.

8.7.8 Budget surpluses and deficits inherited from other school funds

8.7.9 Some predecessor schools, including former independent schools, may have other assets and liabilities outside of the local authority accounts including commercial activities, school funds and donations. The academy's trustees need to consider who controls these funds upon conversion and, if it is the academy trust, they should be recognised in the academy trust's accounts and consideration given as to whether they should be treated as restricted funds.

8.7.10 Defined benefit pension schemes

8.7.11 Upon conversion from a maintained school the academy trust will take on the existing defined benefit pension obligations for staff transferring under the Local Government Pension Scheme (LGPS).

8.7.12 Currently many local government pension schemes have deficits. On creation of the new academy trust it takes on the deficit attributable to the service of transferring employees up to the date of transfer and this should be recognised as a liability of the academy trust, with an equivalent debit to the SOFA within restricted funds. This should be measured at the transfer date, in accordance with 'Financial Reporting Standard 17 - Retirement Benefits'.

8.7.13 Recognition in the SOFA of amounts transferred on conversion to academy trust status.

8.7.14 Accounting for assets and liabilities transferred on conversion is based on FRS6 and the acquisition method of accounting for a business combination.

8.7.15 Assets and liabilities inherited must be recognised on the face of the SOFA in aggregate as either net income or net expenditure rather than individually. The net amount should be analysed between restricted funds, restricted fixed assets funds and unrestricted funds. This mean that:

- where assets exceed liabilities, net income (a donation) must be recognised on the SOFA under a separate heading of ‘voluntary income – transfer from local authority on conversion’, as illustrated below; and
- where liabilities exceed assets, net expenditure must be recognised on the SOFA under ‘other resources expended – transfer from local authority on conversion’, appearing after ‘governance costs’

8.8.16 Additional disclosures

8.8.17 An additional note must be included in the accounts of an academy trust with a newly converted academy, summarising the value of all classes of assets and liabilities transferred on conversion. A model format is illustrated. Other information required in the report and financial statements to reflect conversion is included in a checklist in part 9 of the Accounts Direction.

Model extracts from the SOFA for an academy trust with a newly converted academy

Scenario 1: The academy converts with net assets comprising:

	£000
Fixed assets	10,000
Budget surplus on LA funds	100
Defined benefit pension scheme deficit	(300)
Net assets	9,800

These would appear on the SOFA as follows (other items omitted for clarity):

Statement of Financial Activities for the Year Ended 31 August 2014

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	**Total 2014 £000**
Incoming resources					
Incoming resources from generated funds:					
. Voluntary income		-	-	-	**-**
. Voluntary income - transfer from local authority on conversion	x		(200)	10,000	**9,800**
Total incoming resources		-	(200)	10,000	**9,800**

Scenario 2: The academy converts with net assets comprising:

	£000
Fixed assets	10,000
Budget deficit on LA funds	(100)
Defined benefit pension scheme surplus	300
Net assets	10,200

These would appear on the SOFA as follows (other items omitted for clarity):

Statement of Financial Activities for the Year Ended 31 August 2014

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	**Total 2014 £000**
Incoming resources					
Incoming resources from generated funds:					
. Voluntary income		-	-	-	**-**
. Voluntary income - transfer from local authority on conversion	x		200	10,000	**10,200**
Total incoming resources		-	200	10,000	**10,200**

Model format of the additional note for an academy trust with a newly converted academy

This illustrates **scenario 1**.

Coketown Academy Trust Limited

Notes to the Financial Statements the Year Ended 31 August 2014

32 Conversion to an Academy Trust

On **[date]** the **[name of predecessor school]** converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Coketown Academy Trust Ltd from the **[name]** Local Authority for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net **[incoming resources/resources expended]** in the Statement of Financial Activities as **[voluntary income/other resources expended].**

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	**Total £000**
Tangible fixed assets				
. Freehold land and buildings	-	-	-	**-**
. Leasehold land and buildings	-	-	9,500	**9,500**
. Other tangible fixed assets	-	-	500	**500**
Budget surplus / (deficit) on LA funds	-	100	-	**100**
Budget surplus / (deficit) on other school funds	-	-	-	**-**
LGPS pension surplus / (deficit)	-	(300)	-	**(300)**
Borrowing obligations	-	-	-	**-**
Other identified assets and liabilities	-	-	-	**-**
Net [assets / liabilities]	-	(200)	10,000	**9,800**

The above net [assets / liabilities] includes £x that was transferred as cash.

Include any relevant additional details of the nature and terms of the transfer agreement, e.g. lease terms including the period of the lease.

A separate table should be included for each academy that converted during the period.

Part 9: Checklists

9.1 Additional disclosures for newly converted academies

9.1.1 The following points summarise additional disclosures include in the first set of statutory financial statements prepared by an academy trust with a newly converted academy. The main contents of the Accounts Direction and the Charities SORP still apply.

	Disclosure
1	**Trustees' report** Include discussion about the conversion at appropriate points, including relevant timings of incorporation and transfer.
2	**Statement of financial activities** Where transferred assets exceed transferred liabilities, the section headed '**Incoming resources from generated funds**' should include an additional line for '**Voluntary income – transfer from local authority on conversion**'. Where transferred liabilities exceed transferred assets, the section '**Resources expended**' should include an additional line for '**Other resources expended – transfer from local authority on conversion**'. The following disclosure should be made at the foot of the SOFA: 'All of the academy trust's activities derive from acquisitions in the current financial period'.
3	**Cash flow statement** Include an additional heading: '**Cash transferred on conversion to an academy trust**'. The following disclosure should be made at the foot of the Cash Flow Statement: 'All of the cash flows are derived from acquisitions in the current financial period.'
4	**Note 1: Accounting policies** An additional accounting policy is required on conversion to an academy trust: 'The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method. 'The assets and liabilities transferred on conversion from [name of predecessor school] to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set

	Disclosure
	out for **[insert name]** Academy Trust Limited. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as [net income/net expenditure] in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. [Include specific details of nature and valuation of fixed assets including the allocation between Land & Buildings and Other Fixed Assets, pension and other assets and liabilities transferred as appropriate]. Further details of the transaction are set out in note xx.'
5	**Note 13: Tangible fixed assets** Include an additional heading: **'Transfer on conversion'** within the 'Cost' section.
6	**Note 27: Pensions and similar obligations** Include the following additional paragraph (as paragraph 2): 'As described in note xx the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the year/period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.'
7	**Note 32: Conversion to an academy trust** Include an additional note summarising the value of all classes of assets and liabilities transferred on conversion. The format is illustrated at section 8.8.17 of the Accounts Direction.

9.2 Preparation of accounts for audit

9.2.1 There are certain elements of best practice that can facilitate an efficient and effective accounting and audit process. You may find it helpful to consider the following issues.

	Issue
1	**Do you have the skills?** The board of trustees should agree who will prepare the financial statements and who will write the trustees' report. Ideally the financial statements should be prepared by a qualified accountant.
2	**Is everyone available?** The date of the board of trustees' meeting at which the accounts will be approved and signed should be identified early so that the accounts can be submitted to EFA by 31 December. An accounts preparation and audit timetable should be drawn up to ensure this is achieved.
3	**Is 'Coketown' being followed?** **The model format which is included at part 3 of the Accounts Direction should be used in completing the financial statements.** The auditor will be expected to check that the accounts submitted to them by the academy trust are in the given format. Following the Accounts Direction should therefore eliminate a potential cause of overrun in the audit process. There may, however, be situations that require additional disclosures to explain circumstances specific to an individual academy trust, e.g. after the disposal of fixed assets. Where an academy trust has no disclosures to make, e.g. where stocks are nil, then these sections of the accounts should be omitted.
4	**Do you have a quality assurance process?** **The accounts should be independently reviewed before submission to the board of trustees and the auditor.** This should cover the format of the accounts to ensure that they agree with the model, to check that they add up, that the notes cross-reference correctly and to check that prior year comparative figures agree with the prior year accounts. It should also include a review of the current year's figures for reasonableness in comparison to the previous year and in relation to the academy trust's plans. The review does not need to be undertaken by an accountant, just by someone with an eye for detail who has been independent of the accounts preparation process. For example this could be a member of the academy's finance team, another academy manager, the responsible officer or another suitable person.
5	**Are your papers in order?** An audit file containing working papers should be prepared which provides an audit trail that fully cross references to the financial statements. This should

	Issue
	include a balance sheet reconciliation for each balance sheet account having a balance at year-end, including schedules of debtors/prepayments/accrued income, creditors/accruals/deferred income, and movements in fixed assets as recorded in the fixed asset register.
6	**Does the auditor have what they need?** Any request by the auditor for information prior to their audit visit should be supplied promptly.
7	**Have you considered the auditor's findings?** All recommendations made by the auditor in their annual management letter should be dealt with by the board of trustees in a timely manner and should be considered as part of the accounts preparation process for the next year.

9.3 Items to submit to EFA

9.3.1 Prior to submitting accounts to EFA you may find it helpful to complete the following checklist. There is no need to submit the checklist to EFA.

	Item
1	**Is there a trustees' report?**
1a	▪ Is the trustees' report signed by a trustee (usually the chairperson)?
2	**Is there a governance statement?**
2a	▪ Is the governance statement signed a trustee (usually the chairperson)?
2b	▪ Is the governance statement signed by the accounting officer?
3	**Is there a statement on regularity, propriety and compliance?**
3a	▪ Is the statement on regularity, propriety and compliance signed by the accounting officer?
4	**Is there a statement of trustees' responsibilities?**
4a	▪ Is the statement of trustees' responsibilities signed by a trustee (usually the chairperson)?
5	**Is there an independent auditor's report on the financial statements?**
5a	▪ Does the auditor's opinion in their report cover all the areas described in, and use the same wording as that described in, the Coketown model in the Accounts Direction 2013 to 2014?
5b	▪ Is the auditor's report on the financial statements signed by the auditor?
6	**Is there an independent reporting accountant's report on regularity?**
6a	▪ Does the report follow the format in the Accounts Direction 2013 to 2014?
6b	▪ Is the reporting accountant's report on regularity signed by them?
7	**Is there a full set of financial statements comprising a SOFA, balance sheet, cash flow statement and notes?**
7a	▪ Is the balance sheet signed by a trustee (usually the chairperson)?
8	**Is there a copy of the auditor's management letter to send to EFA?**

Part 10: Regularity reporting

[summary for accounting officer at part 4.3 and detail at part 10.2]

[summary for reporting accountant at part 5.2 and detail at part 10.3]

10.1 Introduction

10.1.1 This 2014 guidance has been developed through the Academies Finance and Assurance Steering Group (the Steering Group) and with the assistance of audit firms. The purpose of the Steering Group has been to ensure that both the needs of the academy sector and the needs of EFA and DfE are met in relation to the accountability and transparency in the use of public funds.

10.1.2 Roles and responsibilities

10.1.3 DfE and EFA

10.1.4 The roles of DfE and EFA are set out in section 1.5 of the Academies Financial Handbook (the Handbook). DfE has ultimate responsibility and accountability for the effectiveness of the financial accountability system for academies.

10.1.5 EFA acts as the agent of the Secretary of State within the scope of the powers and discretions formally delegated to it. The Chief Executive of EFA is its accounting officer and is responsible and accountable to Parliament for how EFA uses its funds. EFA's accounting officer is also personally responsible for the regularity and propriety of all expenditure of its funds and for ensuring value for money.

10.1.6 To discharge these duties, EFA's accounting officer must be satisfied that an academy trust has appropriate arrangements for sound governance, financial management, securing value for money and accounting; and the way the academy trust uses public funds is consistent with the purposes for which the funds were voted by Parliament. EFA's accounting officer will place reliance on the statement on regularity, propriety and compliance made by the accounting officer of the academy trust and the regularity report of the academy trust's reporting accountant.

10.1.7 The academy trust's accounting officer

10.1.8 The role of the academy trust's accounting officer is set in section 1.5 of the Handbook. The Handbook states that the essence of the role is a personal responsibility for:

- regularity;
- propriety; and

- value for money.

10.1.9 The accounting officer must provide a statement on regularity, propriety and compliance in the academy trust’s annual report, in accordance with section 3.2.2 of the Handbook. Further consideration is given to this in part 10.2.

10.1.10 The accounting officer also has a responsibility to advise EFA on instances of non-compliance (section 3.2.2 of the Handbook).

10.1.11 Academy trust external auditor/reporting accountant

10.1.12 A review of the statement on regularity, propriety and compliance must be included within the remit of the academy trust’s external auditor as per the Handbook (section 3.2.4). As such when reference is made to reporting accountant within this guidance this must be the external auditor who is also conducting the ‘true and fair’ audit.

10.1.13 The assurance report must be addressed jointly to the academy trust and to the Secretary of State through EFA. The form of report is provided in the model accounts and at part 10.8.

10.1.14 The National Audit Office

10.1.15 The role of the National Audit Office (NAO) is set out in section 3.1 of the Handbook. The financial accounts of each academy trust are consolidated into EFA’s financial statements, which are audited by NAO, who conduct a group audit in accordance with International Standards on Auditing (UK & Ireland). As such, the reporting accountant will be required to audit the information and the academy trust must assist NAO with any enquiries they may have by way of providing information and explanations.

10.1.16 The tripartite relationship

10.1.17 To allow EFA to draw assurance from the external auditor/reporting accountant’s regularity report, EFA must be bound into the contract between the academy trust and the reporting accountant. Whilst the trust and their reporting accountant should continue to be party to a letter of engagement in the normal way, to avoid bureaucracy there is no expectation that the engagement letter would also be signed by EFA. Instead the terms of reference EFA has adopted as a party to the regularity engagement’ are set out in section 10.6.

10.1.18 Additionally, a standard paragraph must be included within the letter of engagement between the academy trust and the external auditor/reporting accountant that acknowledges their duty to EFA. The standard paragraph is provided at part 10.5.

10.1.19 The cap for liability in respect of the ‘regularity audit’ is set within the standard terms of engagement at £1 million per academy within each trust. Multi-academy trusts, therefore, will have a liability of £1 million multiplied by the number of academies.

10.1.20 EFA will only enter into discussions on varying its standard terms and conditions in exceptional circumstances (e.g. an academy trust with a very small or very large turnover).

10.1.21 Irregularity within academy trusts’ 2013 accounts

10.1.22 EFA’s analysis of irregularity within 2013 academy accounts identified a number of common themes. Accounting officers should have regard to these in making their 2014 statement on regularity, propriety and compliance and reporting accountants should have regard to these in assessing risk in 2014 audits. The themes were:

- lack of consent from the Secretary of State for leases, most commonly operating leases over three years; and
- lack of independent checking of financial controls and systems (i.e. responsible officer).

10.1.23 There have been other occasional incidents of irregularity and impropriety which the accounting officer and reporting accountant will need to bear in mind, and reports on these have been published:

- use of public funds for personal benefit;
- lack of authorisation for expenditure; and
- inappropriate procurement processes including breaches of the relevant thresholds within the European Union.

10.1.24 The Handbook has relaxed the requirement relating to obtaining Secretary of State approval for operating leases and this issue may be less common in 2014.

10.1.25 Transactions with connected parties and not for profit principles

10.1.26 The Handbook (sections 2.6.1 to 2.6.8) sets out requirements relating to goods or services provided by individuals or organisations connected to the academy trust.

10.1.27 For transactions with connected parties, section 2.6.4 requires trustees to ensure that agreements to supply goods or services to the trust are subject to proper procurement, supported by a statement of assurance and are on the basis of an open book agreement.

10.1.28 These requirements apply to contracts that are agreed or renewed on or after 7 November 2013. Existing arrangements apply to contracts in place prior to this date.

10.1.29 'At cost' must not include an element of profit, however can include:

- directly attributable materials and labour
- a proportionate share of fixed and variable overheads.

10.1.30 For reporting accountants the focus is ensuring the trustees have met their obligations rather than auditing the information provided by the connected party.

10.1.31 If the reporting accountant does not believe the requirements have been met this will lead to a modified conclusion including full disclosure of those matters within the report, on the basis of the transaction being material by nature. If the reporting accountant is uncertain whether the requirements have been met the issue will be reported in the reporting accountant's 'management letter'.

10.2 Reporting on regularity for the accounting officer

10.2.1 Introduction

10.2.2 This section gives advice to accounting officers to help them in making their statement on regularity, propriety and compliance.

10.2.3 What is regularity and propriety?

10.2.4 Regularity and propriety are discussed at length in the HM Treasury publications 'Managing Public Money' [MPM section 2.4] and 'Regularity, Propriety and Value for Money' and are summarised in the Handbook. Therefore, the following section serves as an overview to these concepts.

10.2.5 Parliament is concerned that any public money raised and subsequently distributed is used only for approved purposes. This is termed as regularity. 'Managing Public Money' defines regularity as the requirement that 'resource consumption should accord with the relevant legislation, the relevant delegated authority and this document'.

10.2.6 Regularity, therefore, requires compliance with the relevant framework of authorities, and should be woven into the academy trust's internal control procedures.

10.2.7 Propriety is a related concept and concerned more with standards of conduct, behaviour and corporate governance. 'Managing Public Money' defines propriety as the requirement that 'patterns of resource consumption should respect Parliament's intentions, conventions and control procedures, including any laid down by the PAC'.

10.2.8 Propriety is less prescriptively defined but includes matters such as fairness, integrity, the avoidance of private profit from public business, even handedness in the appointment of staff, open competition in the letting of contracts and avoidance of waste and extravagance. There are no definitive guidelines for propriety and professional judgement is required.

10.2.9 Section 9.3 of 'Regularity, Propriety and Value for Money' details the following tests which may be useful for the accounting officer to consider whether a transaction is regular and proper and of benefit to the academy trust:

- is the expenditure in the best interest of your organisation;
- does the expenditure comply with approved procurement rules and policies;
- will there be a valid business benefit to the organisation from the expenditure and not just personal benefit to an employee;
- is the expenditure necessary;
- is the expenditure reasonable, meaning - does it fully meet the identified and agreed needs; and
- has the expenditure been properly authorised?

10.2.10 Statement on regularity, propriety and compliance

10.2.11 This is a formal declaration by the accounting officer that they have met their personal responsibilities to Parliament for the resources under their control during the year. The format of the statement is included within the model accounts and at part 10.7.

10.2.12 To form their conclusion the accounting officer must ensure that the academy trust is working within the boundaries of regularity and propriety. This work will be performed throughout the year, as part of their oversight of internal control processes such as:

- review of management reporting documents;
- review of trustees'/governors' minutes;
- confirming compliance with the academy's Scheme of Delegation;
- compliance with delegated authorities;
- ensuring connected party transactions have been completed in accordance with the not for profit principles and the relevant statements of assurance have been obtained and reviewed (for contracts agreed or renewed on or after 7 November 2013);
- consideration of whether any personal benefit has been derived from the academy trust's transactions by staff or connected individuals; and
- adherence to tendering policies.

10.2.13 The accounting officer can also draw comfort from the work of the audit committee, responsible officer and internal auditor (or equivalent) which provides a process for independent checking of financial controls, systems, transactions and risks.

10.2.14 Peter Lauener (EFA's accounting officer) wrote to academy trusts' accounting officers in June 2013 and May 2014 to share some outcomes of EFA work and these provide a useful aide-memoir.

10.2.15 It is for the accounting officer to determine if further work is necessary at year end, however EFA does not anticipate that, if proper internal control processes have operated during the year, there will be a need for significant additional scrutiny.

10.2.16 Reporting on fraud

10.2.17 Fraud, by its inherent nature of deception to result in financial or personal gain, means that the transaction must be improper. Section 3.9 of the Handbook sets out the circumstances in which fraud should be reported to EFA.

10.2.18 The academy trust's accounting officer will also need to include any identified fraud, deemed material by value or nature, in their statement on regularity, propriety and compliance.

10.2.19 The accounting officer should ensure that any references in the final signed statement to instances of material irregularity, impropriety or funding non-compliance are consistent with any findings from the work of the reporting accountant.

10.2.20 Documenting the evidence behind the statement

10.2.21 The accounting officer should be able to support their statement. Although specific documentation is not required, the accounting officer should retain a file which details work undertaken throughout the year to:

- provide support for the accounting officer sign off at year end;
- assist with the reporting accountant's questions.

10.2.22 The retention of a working papers file would also assist the academy trust if there was a change of accounting officer during the reporting period, or before finalisation of the financial statements.

10.2.23 Where there is a change of accounting officer during the year, or up to the date of signing the declaration, it is the responsibility of the new accounting officer to be satisfied they can support their signing of the statement. This will be achieved through evidence of discussions between the new accounting officer and trustees, the responsible officer and/or internal auditors, the senior leadership team and, where possible, the previous accounting officer, along with the availability of all relevant minutes and reports during the period covered by the statement.

10.3 Reporting on regularity for the reporting accountant

10.3.1 Introduction

10.3.2 This section aims to assist the reporting accountant in undertaking the regularity engagement.

10.3.3 In 2013, NAO published their expectations of reporting accountants in the publication NAO Communication with academy auditors 2013. The reporting accountant plays a significant role in providing assurance over the regularity of income and expenditure and the framework below is to assist the reporting accountant in forming and documenting their conclusion. EFA anticipates that NAO will again publish guidance for reporting accountants in 2014.

10.3.4 The regularity report

10.3.5 The mandatory regularity assurance report is included in the model accounts and at part 10.8. The conclusion is in the form of a 'limited' assurance report and covers the regularity of both expenditure and income.

10.3.6 The reporting accountant will set out a summary of the work performed to support the regularity conclusion, in accordance with section 4.5.2(j) of the ICAEW Assurance Sourcebook: to 'describe the types of tests performed: e.g. such as enquiry, inspection and review, observation and re-performance'.

10.3.7 Reporting on non-compliance

10.3.8 Issues identified by the reporting accountant will in the first instance be raised with the academy trust accounting officer and in almost all cases the accounting officer will be able to demonstrate to the reporting accountant's satisfaction the regularity of the transaction in question. EFA would only expect to be consulted where there is significant disagreement between the reporting accountant, trustees and academy trust accounting officer.

10.3.9 When the reporting accountant concludes that there are matters of material irregularity, by virtue of value or nature of a transaction underlying the financial statements, this will lead to a modified conclusion including full disclosure of those matters within the report.

10.3.10 Where irregularity is identified but the reporting accountant concludes it is not material by virtue of value or nature, the issue will be reported in the reporting accountant's 'management letter'.

10.3.11 The 'management' letter reports significant matters arising from the statutory 'true and fair' audit of the financial statements and should also cover findings relating to regularity. This is to allow EFA to have full information for all regularity issues to draw an overall conclusion on the academy trust.

10.3.12 The management letter should document the regularity issue as follows:

- issue (including a rating of the risk/importance and financial impact);
- implication/consequence;
- recommendation; and
- management response (including timescale for change).

10.3.13 The framework of authorities for academy trusts

10.3.14 The conclusion the reporting accountant provides refers to the authorities which govern the academy trust. In planning their work the reporting accountant, as external auditor, will need to understand what the relative authorities are, in accordance with the following International Standards of Auditing (ISA):

- ISA (UK&I) 250A - Consideration of laws and regulations in an audit of financial statements;
- ISA (UK&I) 315 – Identifying and assessing the risks of material misstatement through understanding the entity and its environment.

10.3.15 Much of the work relating to regularity will already have been undertaken as part of the statutory audit of the financial statements, though regularity will need further consideration. The authorities will include:

- the academy trust's articles of association;
- the academy trust's funding agreement;
- the Handbook;
- the Accounts Direction;
- charities legislation;
- Charity Commission guidance;
- specific terms and conditions relating to individual elements of funding or funding from other sources.

10.3.16 The funding agreement is the binding contract between the academy trust and the Secretary of State, outlining the terms and conditions of grant funding. The Handbook sets out the financial duties and obligations arising from the funding agreement. EFA issued a new Handbook with effect from 1 September 2013 (and an updated version from October 2013). It clearly establishes the requirements on academy trusts with regard to the financial obligations of 'Managing Public Money'.

The Accounts Direction is an adjunct of the Handbook and sets out the requirements for the preparation of financial statements and their audit.

10.3.17 If an academy trust is preparing accounts for the first time and so has a longer first period of account then three Handbooks will apply with some changes in requirements, e.g. a reporting period of 1 April 2013 to 31 August 2014 would see the following:

- 2012 Academies Financial Handbook: for transactions 1 April 2013 to 31 August 2013;
- 2013 Academies Financial Handbook: for transactions 1 September 2013 to 31 August 2014 (v1); and
- 2013 Academies Financial Handbook: for transactions 1 September 2013 to 31 August 2014 (v2 came into effect 7 November 2013).

The changes between v1 and v2 of the Handbook are few with the great majority of transactions unaffected. The changes primarily relate to connected party transactions and land transactions and these set out in an overview document.

10.3.18 Understanding how the academy trust complies with the framework of authorities

10.3.19 The accounting officer must provide a statement on regularity, propriety and compliance. This will be the starting point for the reporting accountant. The input from the accounting officer to the statement and depth of analysis and supporting evidence will influence the work the reporting accountant will need to undertake.

10.3.20 For academy trusts that are preparing their first set of accounts the Financial Management and Governance self-assessment (FMGS) will be a useful tool. For existing academy trusts reporting accountants will have knowledge and experience of the academy trust for previous year audits.

10.3.21 Assessing risk

10.3.22 The reporting accountant will need to undertake a risk assessment to determine the level of work required to form their conclusion, specifically regarding the risk that the financial statements include a material irregularity.

10.3.23 In a limited assurance engagement the approach to business understanding and materiality is the same as reasonable assurance. However, less evidence is required to form a conclusion and this will be a matter of professional judgement for the reporting accountant.

10.3.24 It is likely that a recently established academy trust will have a heightened risk profile. This may be due to controls and procedures not being in place for the full financial period, the accounting officer still developing an understanding of their role and immature or developing governance structures.

10.3.25 Within an established academy trust the following matters may heighten the risk profile:

- culture (attitude and values) within the academy trust;
- a change in accounting officer, principal finance officer or significant changes in the board of trustees;
- an expansion of the number of academies within the academy trust; and
- changes to the scheme of delegation or major accounting systems.

10.3.26 In assessing risk it is imperative to understand how the academy trust itself perceives risk. This can be achieved through review of the audit committee, responsible officer and internal auditor (or equivalent) findings, together with an analysis of their risk management processes.

10.3.27 Materiality

10.3.28 The assessment of materiality, which is the same for a limited assurance engagement as a reasonable assurance engagement, includes both quantitative (value) and qualitative (nature) measures and is a matter of professional judgement for the reporting accountant.

10.3.29 Some issues of irregularity will be related to specific transactions while others may be across the academy trust's activities. For the former an assessment of materiality by value will be possible, however an assessment of materiality by nature will still need to be made and a low value transaction may still be material overall.

10.3.30 Where the issue is across the academy trust's activities and not related to specific transactions the reporting accountant will need to consider whether the issue is so fundamental to its activities that it is material. For example if the academy trust had not put in place a system for independent checking (e.g. responsible officer or internal audit) and no work had been undertaken in the period of account we would consider this to be material.

10.3.31 The judgement of materiality will also need to have regard to the number of issues identified. A number of issues which might not be material in isolation may, taken together, be material, and these in turn will need to be reported within the management letter and assurance report as appropriate.

10.3.32 EFA considers any breach by value of the transactions for which the academy trust has delegated authority through the Handbook to be material.

10.3.33 Where issues of propriety arise then the assessment of materiality may need to be further considered. Whilst a transaction leading to a personal benefit may be deemed to be material by nature, regardless of value, there may be more scrutiny if the benefit is received by a senior member of staff or trustee.

10.3.34 Reliance on independent checking (internal audit) work

10.3.35 Section 3.5 of the Handbook stipulates that an academy trust must have an independent check in place of the financial controls and systems, whether that is in the form of internal audit, responsible officer review or peer review.

10.3.36 The reporting accountant should consider whether it might be effective and efficient to use the results of testing already undertaken by this function to alter the nature, timing or extent of work they perform in forming the assurance conclusion on regularity and to minimise any duplication of work.

10.3.37 In such cases the reporting accountant should assess the independence, objectivity and competence of the function and the nature, scope and subjectivity of the work performed. Where the work is used, the reporting accountant may evaluate and perform testing on that work to determine its adequacy for regularity reporting. The reporting accountant should also consider making reference to the internal auditors and the extent of the use of their work in the regularity assurance report.

10.3.38 Basis and timing of testing regularity

10.3.39 The reporting accountant will determine the extent of procedures which will need to be undertaken to obtain sufficient, appropriate audit evidence to provide the regularity engagement conclusion.

10.3.40 Appendix 3 of the ICAEW Assurance Sourcebook provides guidance on 'limited' assurance. It states that 'In a limited assurance engagement where the practitioner is providing a negative form of conclusion less evidence is required and therefore less testing may be performed. This can impact the type of procedures and tests employed, the sample sizes and even the number of locations visited'.

10.3.41 There is a presumption that less work will be undertaken than there would be to provide a 'reasonable assurance' form of conclusion; however understanding of the entity and its environment is imperative.

10.3.42 Auditing regularity is primarily in relation to internal control procedures. Therefore, basic tests are highlighted in part 10.4. However, the reporting accountant should have regard to the entity and develop the testing as appropriate.

10.3.43 The nature and volume of work to be performed should be determined by the reporting accountant and then communicated to the accounting officer.

10.3.44 For most, if not all academy trusts, it will be more efficient to undertake regularity engagement work in conjunction with and at the same time as the statutory 'true and fair' audit. This should enable both cost and time savings as the reporting accountant may then undertake extended testing of a single sample of transactions to support both the audit opinion and regularity conclusion.

10.3.45 Documenting regularity testing

10.3.46 EFA does not require reporting accountants to maintain separate audit files in respect of the statutory 'true and fair' audit and the regularity engagement. As mentioned above in part 10.3.38 sampling can be incorporated into the 'true and fair' audit; however the objectives, method and conclusion will need to be clearly documented. Reporting accountants may of course themselves choose to maintain separate files.

10.3.47 EFA access to working papers

10.3.48 EFA does not require access to the reporting accountant's working papers; instead it will place reliance on the professionalism of the reporting accountant. As such there is no reference made to EFA access within the standard terms of engagement.

10.3.49 It is likely that EFA, in its capacity as reviewer and fund distributor, may wish to discuss the conduct and outcomes of the regularity audit with both reporting accountants and accounting officers. This should also inform the development of the regularity audit in future years. In accordance with the Handbook section 3.6, NAO is also likely to enter into discussions with reporting accountants to clarify the approach in conducting their work.

10.3.50 Fraud

10.3.51 As part of the true and fair audit, the reporting accountant must address requirements of ISA (UK&I) 240, specifically assessing the risk of fraud.

10.3.52 As part of the regularity engagement the reporting accountant will also need to ensure that identified fraudulent transactions over £5,000 have been reported to EFA. Any unusual or systematic fraud, regardless of value, must also be reported

10.3.53 Whistleblowing

10.3.54 The requirement as set out in the Charities Act 2011 (sections 156(2), 159 and 160) is that auditors (reporting accountants) should report matters of 'material significance' to the principal regulator, being EFA on behalf of the Secretary of

State for Education (to whom the Charity Commission discharged their duties). To assist, the Charity Commission produced specific whistleblowing guidance.

10.3.55 The principles of reporting to the Charity Commission apply, however the reporting accountant has a duty of care regarding confidentiality.

10.3.56 In the first instance of identifying matters of 'material significance' the reporting accountant is to e-mail academy.questions@education.gsi.gov.uk who will direct the issue accordingly.

10.4 Evidence to support conclusion on regularity

10.4.1 Introduction

10.4.2 This section provides assistance for reporting accountants in determining the types of tests that can be used to provide evidence on the regularity report. As detailed in part 10.3.42 the list below is not exhaustive, especially as the form of the report is 'limited' assurance. EFA has not defined a minimum scope of testing; however the tests listed are those which can lead to a greater impact in academy trusts.

10.4.3 Delegated authorities

10.4.4 Section 2.4 of the Handbook details the freedoms academy trusts have. As such, the evidence of prior approval from the Secretary of State is required for:

- write-offs over 1% of total income or £45,000 (whichever is smaller);
- acquisitions or disposals of freehold land and buildings;
- disposal of heritage assets;
- taking up a finance lease;
- taking up a leasehold on land and buildings over five years; and
- any novel and contentious payments e.g. honorarium payments.

10.4.5 If an academy trust has made special payments to staff, including compromise agreements has there been regard to the following:

- prior approval has been sought for non-contractual elements over £50,000;
- payments are not used as a substitute for taking appropriate action under the academy's misconduct or performance management procedures; and
- payments are in line with the severance guidance published by EFA.

10.4.6 The academy trust has not sought borrowings (in the form of loans, overdraft facilities or finance lease) contravening section 2.6.17 of the Handbook.

10.4.7 Transactions with connected parties

10.4.8 In accordance with the academy trust's internal processes and sections 2.5 and 2.6 of the Handbook ensure:

- declarations of business interests have been completed (for those in a position to influence the academy trust, including key staff);
- contracts with connected parties have been procured following the academy trust's procurement and tendering process;
- where contracts are entered into or renewed on or after 7 November 2013 the academy trust has obtained statements of assurance (confirming no profit element was charged) and the academy trust has followed their internal processes in reviewing this;
- the academy has requested, under the open book arrangement, a clear demonstration that the charges do not exceed the cost of supply;
- governors who provide consultancy services to the academy are not receiving a profit for their services and the correct procurement and tendering process is being followed;
- no connected party gains from their position by receiving payments under terms that are preferential; and
- if employees are providing external consultancy that the income is being received into the academy's accounts if the work was performed within the academy's normal working hours.

10.4.9 Governance

10.4.10 In relation to governance consider whether:

- minutes of the various committees, and management accounts, have been reviewed for indications of irregular transactions; and
- the board of trustees and accounting officer have given formal representations of their responsibilities.

10.4.11 Internal controls

10.4.12 In relation to controls:

- consider whether the general control environment has regard to the regularity of transactions;
- consider whether significant changes within the control environment have led to potential weaknesses;
- ensure through enquiry and sample testing that gifts and hospitality are given and received in line with the academy trusts policies;
- ensure through enquiry and sample testing that the use of expense claims or credit cards adheres to internal control principles (and supported by receipts);

- ensure through enquiry and sample testing expenditure does not contravene the funding agreement; and
- ensure through enquiry and sample testing that items claimed on expenses or purchased on credit cards are not for personal benefit.

10.4.13 Procurement

10.4.14 In relation to procurement:

- confirm through enquiry and sample testing that the lines of delegation and the limits set both internally and by EFA have been adhered to;
- consider whether tendering procedures have been administered through the Official Journal of the European Union (OJEU) where necessary;
- consider whether formal contracts are in place, where required;
- consider whether tendering policies have been adhered to; and
- consider whether procurement activity has been in accordance with Annex 4.6 of Managing Public Money.

10.5 Letter of engagement

10.5.1 Standard paragraph for inclusion in the 2014 letter of engagement between the academy trust and its external auditor/reporting accountant

10.5.2 As stated in section 10.1.12 the reporting accountant must be the same as the external auditor.

10.5.3 The external auditor/reporting accountant's work will be based on a single letter of engagement with the academy trust covering both the financial statements and regularity. In relation to the reporting accountants work on regularity the letter of engagement should include the following paragraph:

> 'The Secretary of State for Education acting through the Education Funding Agency has adopted the Standardised Terms of Engagement included within the Accounts Direction 2013 to 2014. We will report to the Secretary of State for Education acting through the Education Funding Agency in accordance with those Standardised Terms of Engagement for Independent Reporting Accountants' Reports. The Secretary of State for Education acting through the Education Funding Agency will not be required to sign this engagement letter.'

10.6 Terms of reference

10.6.1 Standardised terms of engagement

The following are the pre-agreed terms of engagement on which the Secretary of State for Education working through the Education Funding Agency (EFA) engages the reporting accountant to perform a limited assurance engagement and report on regularity in connection with the academy trust.

In these pre-agreed terms of engagement, references to EFA shall be read as incorporating references to the Secretary of State for Education.

EFA accepts that an agreement between the academy trust, its reporting accountant and EFA on these terms is formed when the reporting accountant signs and submits to EFA a report as set out in Part 4 herein. EFA is not required to sign anything. By publishing this document EFA confirms that these pre-agreed terms form its agreement with the academy trust and the reporting accountant. Once the reporting accountant's report is submitted to EFA in accordance with these terms, EFA will accept that an agreement is formed.

The Academies Accounts Direction 2013 to 2014 provides the framework and reporting requirements on the statement of regularity, propriety and compliance. The large number of academy trusts in scope of this engagement makes it impractical to have an engagement letter with each individual reporting accountant. Standardised terms of engagement are therefore in place. Amendment to these standardised terms of engagement may only be considered in very rare circumstances. Amendments may cause delay to the reporting accountant's work leading to late submission of the related report and consequent breaches of funding agreements. EFA is unable to enter into tailored terms of engagement agreements.

1 Introduction

The academy trust is required to submit to EFA a regularity report, which provides limited assurance, as part of its audited annual accounts that is signed by a reporting accountant. These terms of engagement set out the basis on which the reporting accountant will sign the report.

2 The academy trust's responsibilities

The academy trust is responsible for:

- complying with the requirements of the funding agreement with the Secretary of State for Education, and the Academies Financial Handbook (2013);

- producing in accordance with the requirements of the Academies Accounts Direction 2013 to 2014 an annual report and financial statements (accounts) to 31 August 2014;
- having these ‘accounts’ audited by an independent registered auditor;
- submitting the audited accounts to EFA by 31 December 2014;
- ensuring the accounting officer’s report has been made without bias;
- maintaining proper records complying with the terms of any legislation or regulatory requirements and EFA's terms and conditions of funding ('the funding conditions');
- providing information to EFA as required by the funding agreement.

The academy trust’s accounts shall meet the requirement of the Academies Accounts Direction 2013 to 2014 to include the reporting accountant’s report on regularity.

The accounting officer of the academy trust will make available all records, correspondence, information and explanations that the reporting accountant considers necessary to enable the reporting accountant to perform its work. The reporting accountant will seek and the academy trust’s accounting officer shall provide:

- written representations in relation to matters for which independent corroboration is not available;
- confirmation that significant matters have been brought to the reporting accountant’s attention.

The academy trust and EFA accept that the ability of the reporting accountant to perform its work effectively depends upon the academy trust providing full and free access to financial and other records and the academy trust shall procure that any such records held by a third party are made available to the reporting accountant.

The reporting accountant accepts that, whether or not the academy trust meets its obligations, there remains an obligation to EFA to perform its work with reasonable care. The failure by the academy trust to meet its obligations may cause the reporting accountant to qualify its report or be unable to provide a report.

3 Scope of the reporting accountant’s work

The reporting accountant will use professional judgement and take account of the particular circumstances of the academy trust to determine the scope of work to support the conclusion in accordance with Part 10 of the Academies Accounts Direction 2013 to 2014 and as shown in the extract below.

The reporting accountant may request from EFA relevant information considered necessary to the planning and subsequent delivery of the regularity assurance engagement. Any such requests (to include full academy trust and reporting accountant details) may be sent to academy.questions@education.gsi.gov.uk.

On the basis of that work, the reporting accountant will provide a limited assurance conclusion with the form of wording as follows:

Accounts Direction 2013 to 2014 extract:

> ‘In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.’

4 Form of the reporting accountant’s report

The mandatory report which the reporting accountant will provide, on the assumption that the reporting accountant is able to report in that form, is included in the Academies Accounts Direction 2013 to 2014.

The reporting accountant’s report is prepared on the following bases:

- that EFA has no right by virtue of regularity engagement to place reliance on the work of the reporting accountant and the opinion they form in respect of their statutory financial statements audit of the academy trust;
- the reporting accountant’s report is prepared solely for the use of the academy trust and EFA and solely for the purpose of submission to EFA in connection with EFA's requirements within the Academies Accounts Direction 2013 to 2014. It may not be relied upon by the academy trust or EFA for any other purpose;
- neither the academy trust, EFA or others may rely on any oral or draft reports the reporting accountant provides. The reporting accountant accepts responsibility to the academy trust and EFA for the reporting accountant’s final signed reports only;
- to the fullest extent permitted by law, except for the academy trust and EFA, the firm of reporting accountants, its partners and staff neither owe nor accept any duty to any person (including, without limitation, any person who may use or refer to any of EFA's publications) and shall not be liable for any loss, damage or expense of whatever nature which is caused by any person's reliance on representations in the reporting accountant’s reports.

5 Liability provisions

The reporting accountant will perform the engagement with reasonable skill and care and accepts responsibility to the academy trust and EFA for losses, damages, costs or expenses ('losses') caused by its breach of contract, negligence or wilful default, subject to the following provisions:

- the reporting accountant will not be responsible or liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than the reporting accountant, except where, on the basis of the enquiries normally undertaken by reporting accountants within the scope set out in these terms of engagement, it would have been reasonable for the reporting accountant to discover such defects;
- the reporting accountant accepts liability without limit for the consequences of its own fraud and for any other liability which it is not permitted by law to limit or exclude;
- subject to the previous paragraph, the total aggregate liability of the reporting accountant whether to the academy trust or to EFA or both, arising on any basis, whether in contract, tort (including negligence) or otherwise, arising from or in any way connected with this engagement (including any addition or variation to the work), may be limited to £1 million per academy in each trust. For a multi-academy trust, liability would amount to £1m multiplied by the number of individual academies within the trust.

The academy trust and EFA agree that they will not bring any claims or proceedings against any individual partners, members, directors or employees of the reporting accountant. This clause is intended to benefit such partners, members, directors and employees who may enforce this clause pursuant to the Contracts (Rights of Third Parties) Act 1999 ('the Act'). Notwithstanding any benefits or rights conferred by this agreement on any third party by virtue of the Act, the parties to this agreement may agree to vary or rescind this agreement without any third party's consent. Other than as expressly provided in these terms, the Act is excluded.

Any claims, whether in contract, negligence or otherwise, must be formally commenced within three years after the party bringing the claim becomes aware (or ought reasonably to have become aware) of the facts which give rise to the action and in any event no later than six years after the relevant report was issued (or, if no report was issued, when the reporting accountant accepted the engagement in writing). This expressly overrides any statutory provision which would otherwise apply.

6 Fees

The reporting accountant's fees, together with VAT and out-of-pocket expenses, will be agreed with and billed to the academy trust. EFA is not liable to pay the reporting accountant's fees.

7 Quality of service

The reporting accountant will investigate all complaints. EFA or the academy trust has the right to take any complaint to the professional supervisory body governing the reporting accountant.

8 Provision of Services Regulations 2009

The reporting accountant will not be prevented or restricted by virtue of the reporting accountant's relationship with the academy trust and EFA, including anything in these terms of engagement, from providing services to other clients. The reporting accountant's standard internal procedures are designed to ensure that confidential information communicated to the reporting accountant during the course of an assignment will be maintained confidentially.

9 Freedom of Information Act 2000

If EFA receives a request under the Freedom of Information Act 2000 for the disclosure of Confidential Information, it will inform the academy trust promptly of such request and ensure that any representations made by the academy trust or the reporting accountant within a reasonable period of time in relation to such a request are fully taken into account when it responds to the request. However, the decision to release information rests with EFA.

10 Alteration to terms

Amendment to these standardised terms of engagement may only be considered in very rare circumstances. All additions, amendments and variations to these terms of engagement shall be binding only if in writing and signed by the duly authorised representatives of the parties. These terms do not affect any separate agreement in writing between the academy trust and the reporting accountant.

11 Applicable law and jurisdiction

This agreement shall be governed by and interpreted and construed in accordance with English law.

The academy trust, EFA and the reporting accountant irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute (including claims for set-off and counterclaims) which may arise on any basis in connection with the validity, effect, interpretation or performance of, or the legal relationship established by this agreement or otherwise arising in connection with this agreement.

In these terms of engagement:

- **'EFA'** refers to the Secretary of State for Education working through the Education Funding Agency;
- **'academy trust'** refers to the Academy Trust being the organisation that is required to submit the report to EFA; and
- **‘the reporting accountant’** refers to the reporting accountant appointed by the academy trust, the same individual as the external auditor.

10.7 Statement on regularity, propriety and compliance - model

10.7.1 The accounting officer’s statement on regularity, propriety and compliance must consist of the following text:

As accounting officer of Coketown Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust’s funding agreement and the Academies Financial Handbook.

Either:

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA.

Or:

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the board of trustees and EFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA.

- **[X]**
- **[X]**

[Signed]

[Name to be typed]
Accounting Officer

[Date]

10.8 Independent reporting accountant's assurance report on regularity – model

10.8.1 The reporting accountant's report on regularity must include the following text:

In accordance with the terms of our engagement letter dated **[x]** and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Coketown Academy Trust during the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Coketown Academy Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Coketown Academy Trust and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Coketown Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Coketown Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Coketown Academy Trust's funding agreement with the Secretary of State for Education dated **[x]** and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2013 to 2014 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- **[X]**

- **[X]**
- **[X]**

Conclusion

In the course of our work, **[except for the matters listed below]** nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period **[insert the start date of the period for which the financial statements have been prepared]** to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

[Matter 1:
Matter 2:]

[Signed]
Reporting Accountant
[Accountancy Firm Name]

[Date]

Annex A: Further sources of information

Charity Commission

- Accounting and Reporting by Charities: Statement of Recommended Practice (the 'Charities SORP')
- CC3: The Essential Trustee: What You Need to Know
- CC26: Charities and Risk Management
- Charities and Public Benefit
- Charity Reserves and Defined Benefit Pension Schemes
- Information Sheet 5: The Strategic Report and Company Charities
- SORP Charity Accounts and Reports: What you Need to Know
- Charity Commission: Detailed Guidance Home Page

Companies House

- GP1: Incorporation and Names
- GP2: Life of a Company - Annual Requirements
- GP5: Late Filing Penalties

Education Funding Agency

- Academies Financial Handbook
- Academies Investigation Reports
- 'Dear Accounting Officer' Letter (June 2013)
- 'Dear Accounting Officer' Letter (May 2014)
- e-bulletin

Financial Reporting Council

- Accounting Standards (UK)
- Auditing Standards
- Audit of Financial Statements of Public Sector Bodies in the UK: Practice Note 10
- Ethical Standards for Auditors
- Going Concern and Liquidity Risk: Guidance for Directors of UK Companies

HM Treasury

- Audit Committee Handbook
- Management of Risk - Principles and Concepts

- Managing Public Money
- Regularity, Propriety and Value for Money

Institute of Chartered Accountants in England & Wales

- ICAEW Assurance Sourcebook
- ICAEW Technical Release AAF 01/10: Framework document for Accountant's Reports on Grant Claims

Legislation

- Academies Act 2010
- Companies Act 2006

National Audit Office

- Communication with Academy Auditors

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David Brooks	Thomas Deacon Academy
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Sunil Gandhi	Wembley High Technology College
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Chris Hardy	The Hessle Academy Community Trust
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Lawrie Lee	Hinchley Wood School
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Jane Nicholls	Malmesbury Academy
Tony Round	Ormiston Academies Trust
Nigel Saxby	David Ross Education Trust
Ana Schofield	Leeds City Council / The Cooperative Trust
David Massey	Education Funding Agency

Working Group for Regularity Guidance

Adrian Bowater	Walsall Academy and chair of working group
Mark Aldridge	Hockerill Anglo-European College
Chris Crowther	Unity City Academy
Andrew Dodd	National Association of School Business Managers
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We are grateful to the individuals and organisations that have made suggestions or observations about the Accounts Direction over the past year. If you have suggestions for future revisions please contact EFA at academy.questions@education.gsi.gov.uk.

Education
Funding
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