



Guidance

Common themes arising from ESFA's assurance work in 2017 to 2018

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1. Objective

This briefing note provides an overview of the key assurance findings from the ESFA assurance year 2017 to 2018, including the review of academy trust financial statements, academy funding audits and financial management and governance returns (FMGS).

2. Academy trust financial statements

2.1 Overall findings

We found that:

- the percentage of accounts received by 31 December was 94% (93% 2015 to 2016)
- the submission of late returns took place over an extended period - the main reason for delays was where trusts closed during the year and had not submitted accounts as part of the closure process
- the percentage of financial statement opinion qualifications remained similar to the 2016 to 2017 percentage at 1.8%, (1.8% in 2015 to 2016), although there was a significant increase in 'emphasis of matter' opinions

- the main increase in emphasis of matter opinions was due to 'going concern' as a result of the trust closing within in the following 12 months
- the percentage of modified regularity opinions was slightly lower than in 2016 to 2017 at 4.4%, (4.7% in 2015 to 2016), but reasons remain constant with previous year.

2.2 Financial statements audit opinions

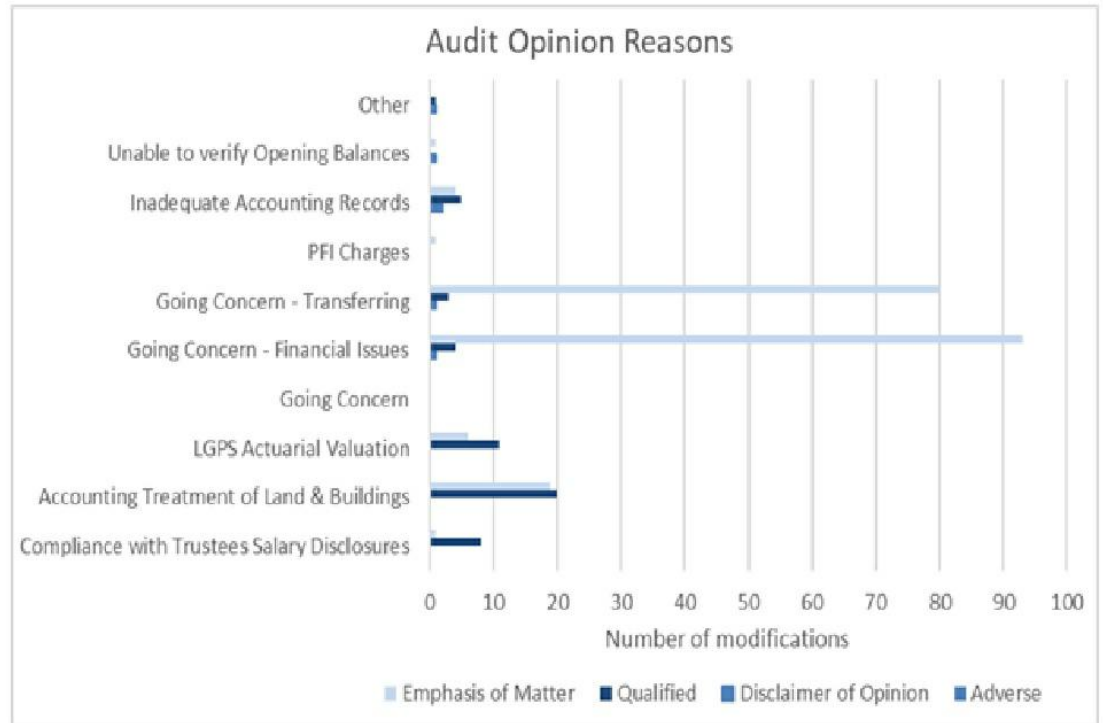


Figure 1: Breakdown of the reasons for qualified and emphasis of matters opinions

2.3 Financial statements regularity opinions

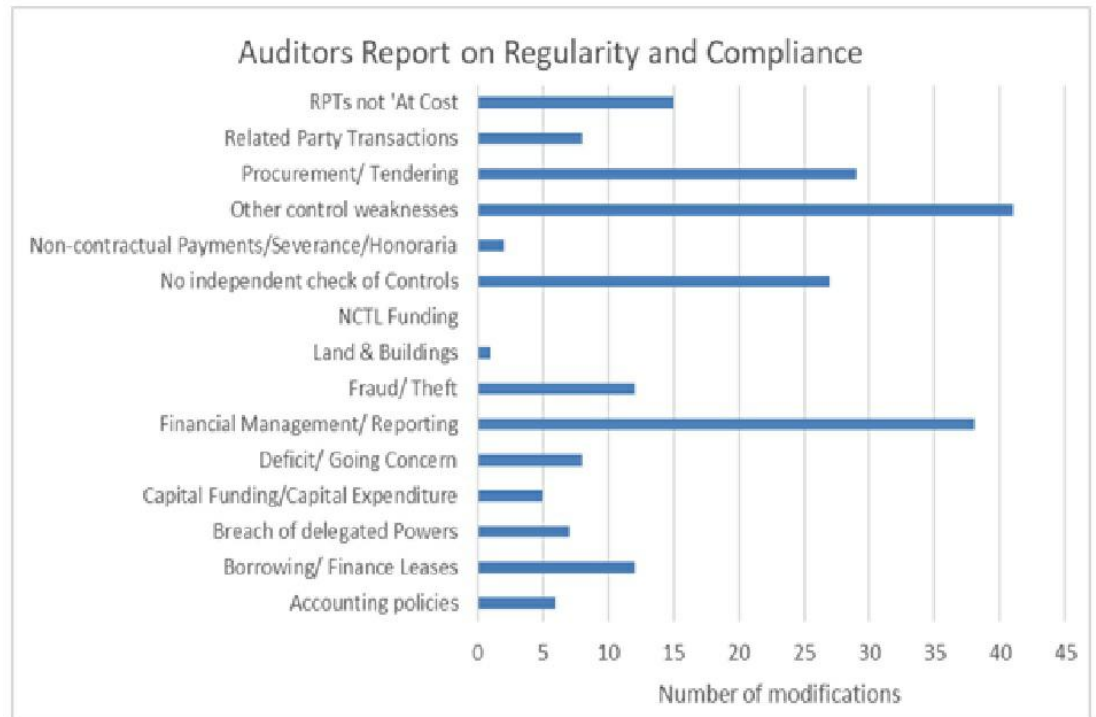


Figure 2: Breakdown of the reasons for modified regularity opinions

We found that:

- the main reasons for modified regularity opinions are consistent with the previous year, with the top 3 reasons being: non-compliant procurement practises, weak internal control arrangements and inadequate financial management and reporting arrangements
- non-compliant procurement procedures include: trusts unable to demonstrate goods and services procured 'at cost', non-compliance with own procurement procedures including single supplier arrangements, urgent purchases and sponsor procurements
- weak internal control arrangements including: the board not maintaining an appropriate scheme of delegation of financial powers to ensure robust internal control, insufficient segregation of duties when making payments, transactions by credit cards not complying with the trust's own procedures and purchases made without appropriate approvals.
- weak financial reporting arrangements include: the board not receiving sufficient information about financial performance at least 3 times a year and trusts not preparing monthly budget monitoring reports.
- where the auditor needed to modify their regularity opinion, we would expect there to be some reference to this in the Accounting Officer's Report, given the significance of the finding, but this is not always the case.
- our work on related party transactions (RPTs) identified an increased number of trusts that were in breach, although still less than 2% of the population.

2.4 Other financial statements related issues

We found trusts not completing the accounts submission coversheets (ASC) accurately, the main area of error being the recording of auditor management letter recommendations, in terms of both volumes and classification. We have asked for r additional information in this area in the ASC for the year 2017 to 2018.

3. Financial management and governance self-assessment (FMGS)

Our assurance findings showed new academy trusts and those joining existing trusts were making good progress towards compliance with the academies financial handbook (AFH). Areas for further development included:

- ensuring an appropriate committee of the board agrees a programme of work to address the risks to internal control
- audit committees or equivalent not fully embedded
- further work required to embed the independent checking of financial controls
- further work required to develop contingency and business continuity plans trusts publishing the pecuniary interests of its trustees and governing structure on the website

We recognise that as FMGS returns are completed within 4 months of opening, it is reasonable that further time is required to embed some of the above arrangements.

4. Academy funding audits

Error rates relating to both census data and free school meal entitlement remain low which is consistent with previous years. The main weakness identified was academies not maintaining sufficient evidence to support entitlement to free school meals at the census point. Further guidance will be provided to confirm evidence that should be retained by the academy, to support the data returns.

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