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Education & Skills Funding Agency

> Guidance Common themes arising from ESFA's

assurance work in 2019 to 2020 Updated 15 September 2020

1. Objective Objective

statements

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2. Academy trust financial

governance reviews.

2. Academy trust financial statements

This briefing note provides an overview of the key assurance findings from the

financial statements, academy funding audits and financial management and

ESFA assurance year 2019 to 2020, including the review of academy trust

We found that: • The percentage of accounts received by 31 December for the 2018 to 2019 trust financial year was 98% (2017 to 2018: 97%).

deadline. At the date of publication, there were 18 trusts, which had not submitted their audited financial statements. This was higher than last year,

2.1 Overall findings

although in part due to the Covid-19 pandemic. • The percentage of qualified financial statements for the 2018 to 2019 year

not submitted accounts as part of the closure process. In addition, several

trusts, which were in intervention, had not submitted their accounts by the

- were accounting treatment for land and buildings, land and buildings valuations and LGPS actuarial valuations. • There was a 0.1% decrease in 'emphasis of matter' or 'material uncertainty' opinions. However, this percentage may increase, when the 18 outstanding financial statements are received. • The main reason for the emphasis of matter opinions continues to be 'going
- the following 12 months. This increased by 0.3% from the previous year. • The percentage of modified regularity opinions in the 2018 to 2019 year was 7.1%, which was higher than in the previous year, (2017 to 2018: 5.9%). However, just under 1% of trusts reported a modification in relation to the
 - the percentage of modified regularity opinions would be broadly similar to alongside the management letter and audited financial statements,

contained very little detail of internal scrutiny practices or the findings from

this work. ESFA has published a series of good practice guides in academy

trust financial management and assurance arrangements, including one on

internal scrutiny, which trusts may wish to refer to.

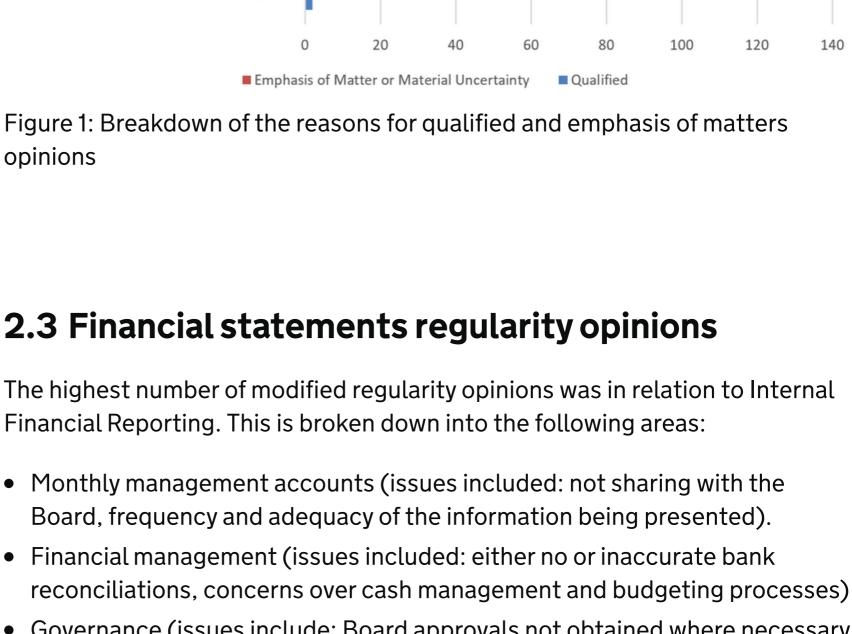
2.2 Financial statements audit opinions **Audit Opinions**

Other

Going Concern financial issue

PFI Charge issues

Accounting treatment for land and buildings



submitted on time). The second highest number of modified regularity opinions was in relation to no

independent check of controls. This is broken down into the following areas:

Internal scrutiny findings (main issue was concerns that had been picked up

Internal audit (main issue was no internal audit having taken place).

as part of the trusts' internal scrutiny programme of work).

Financial Management / Reporting

No independent check of controls

Other control weaknesses

Fraud / Theft

Deficit / Going Concern

RPTs not 'At Cost'

Land & Buildings

ESFA deadlines not met (issues included: financial statements not being

 Internal scrutiny process (main issue was that trusts' internal scrutiny process was not adequate or suitably robust).

- Ineligible Expenditure Procurement / Tendering Related Party Transactions Borrowing / Finance leases
- 3. Financial management and governance reviews Our assurance findings showed that new academy trusts and those joining existing and expanding trusts were making good progress towards compliance with the Academies Financial Handbook (AFH). Main areas where trusts are progressing towards compliance 80% 70% 60%

The above table compares the findings for new trusts and expanding trusts. We recognise that as new trusts are usually reviewed within 4 months of opening, it is reasonable that further time is required to embed some of the above arrangements. However, it was noted that some of the established and

expanding trusts are also not fully compliant in these areas.

The areas where further development is required include:

accordance with the AFH

£8,000.00

£-

£9,000.00

£8,000.00

£7,000.00

£6,000.00

£5,000.00

£4,000.00

£3,000.00

£2,000.00

2016-17

Figure 4: Breakdown of academy GAG funding

 Trusts publishing the pecuniary interest of its' trustees and governing structure on their website. The development and formal approval of contingency and business continuity plans. 4. Academy funding audits Error rates relating to both census data and free school meal (FSM) entitlement remain low, which is consistent with previous years. The two diagrams below illustrate the downward trend in both census data, General Annual Grant (GAG) and Free School Meals (FSM) error rates Academy GAG funding £14,000.00 0.2% 0.2% £12,000.00 0.1% £10,000.00

0.1% %

0.1%

0.1%

0.0%

0.0%

0.0%

0.9%

0.8%

0.7%

0.5%

0.4%

0.2%

0.1%

0.0%

2019-20

0.3%

0.6% %

2019-20

• Establishing an appropriate committee of the board, to agree a programme

of work to address risks to financial control (internal scrutiny)

• Trusts registering and managing business and pecuniary interests, in

£1,000.00 £-2016-17 2017-18 2018-19

Figure 5: Breakdown of academy FSM funding

Error Value (m)

However, there were some cases where academies did not retain evidence to

Evidence to support eligibility for discretionary bursaries not retained.

demonstrate that learners' entitlement to free school meals had been checked

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The main reasons for delays was where trusts closed during the year and had

- was 0.7% (2017 to 2018: 1.2%). The main reasons for the qualified opinions
- concern', as a result of the trust having closed, or proposing to close within
- new requirement prohibiting any purchase of alcohol and, excluding these, the previous year. For some trusts, the internal scrutiny programme of work submitted
 - Inadequate accounting records LGPS actuarial valuations Going Concern closing / transferring

• Governance (issues include: Board approvals not obtained where necessary

and concerns over the maintaining of risks registers).

Auditors Report on Regularity and Compliance

Non-contractual Payments / Severance / Honoraria Accounting policies Breach of delegated powers Capital Funding / Capital Expenditure

10

Number

Figure 2: Breakdown of the reasons for modified regularity opinions

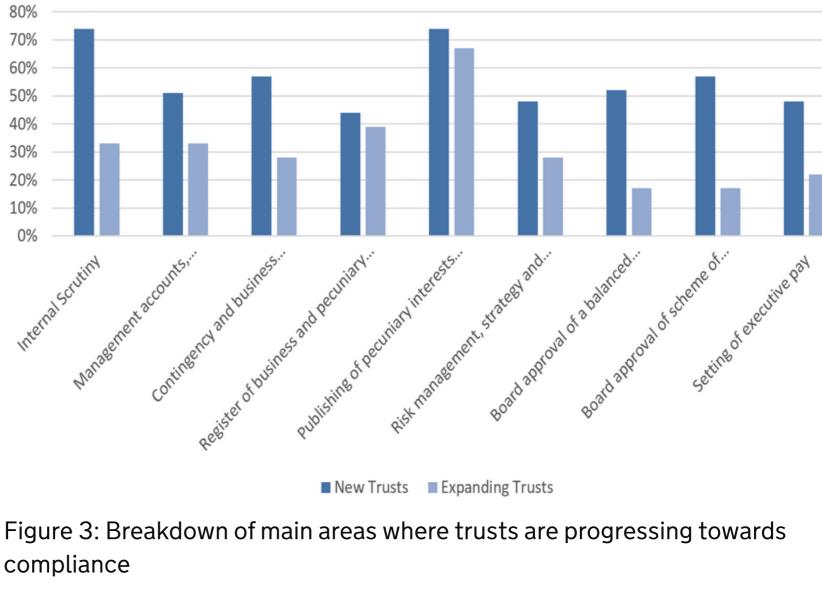
20

30

50

60

70



£6,000.00 £4,000.00 £2,000.00

2017-18

Error Value (m)

Academy FSM funding

2018-19

Error rate (%)

Error rate (%)

at the census point. In some instances, academies were relying on the records held by the previous school. In relation to student bursary funding, the following weaknesses were identified:

Insufficient evidence supporting payments decisions.

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