



Education & Skills  
Funding Agency

# **Academies Accounts Direction 2019/20**

**Supplementary bulletin**

**July 2020**

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## Part 1: Introduction

- 1.1 This supplementary bulletin to the [Academies Accounts Direction \(AAD\) 2019 to 2020](#) introduces a small number of additional requirements which academy trusts must comply with. This bulletin has the same status as the AAD, and the two documents should be read in conjunction with each other. This bulletin does not change any of the requirements of the AAD.
- 1.2 The bulletin provides guidance to trustees, accounting officers and their external auditors on matters arising from the COVID-19 pandemic which may impact on the 2019/2020 accounts.
- 1.3 We recognise the unprecedented challenge all academy trusts face in dealing with the COVID-19 pandemic and appreciate this has significantly affected the day-to-day operations of all academy trusts, whilst also presenting unique challenges to each individual academy. We also appreciate that external audit teams will be considering the implications of COVID-19 in their own risk assessments prior to the start of their audit work.
- 1.4 Whilst we empathise with these challenges, as previously communicated in Eileen Milner's [letters](#) to accounting officers, dated 21 April and 16 July 2020, these challenges also mean that ensuring and maintaining strong financial governance is as important as ever.

## Part 2: Regularity and audit implications

### 2.1 Regularity review and report

- 2.1.1 The scope of the regularity audit remains unchanged – it should cover, at least, income and expenditure (including any new COVID-19 funding), as well as the areas suggested in section 4 of Annex B in the AAD. ESFA is not seeking any additional assurance from reporting accountants and has not removed any existing guidance.
- 2.1.2 The work of the external auditors on both the financial statements and regularity remains key to the ESFA's overall assurance framework. Therefore, the format of the regularity statement published in the AAD remains unchanged from previous years.

## 2.2 Auditor judgement

- 2.2.1 The implications for the audit of the impacts of COVID-19 are a matter of the professional judgement of each auditor. The Financial Reporting Council has provided [guidance](#) for auditors on the impact of COVID-19.
- 2.2.2 The auditor will take account of a range of factors in determining the implications for their audit and the audit work necessary. These may include:
- **Capacity:** To what extent were the governance and control arrangements, staffing levels and operations of the academy trust affected by COVID-19? If alternative arrangements were considered necessary, was there anything to suggest that the approach taken was not reasonable and practical under the circumstances at the time?
  - **Proactivity:** At what point was this issue identified by the academy trust? For example, did it seek ESFA or DfE guidance in advance, if appropriate? Did it consult with other academy trusts in similar situations?
  - **Reaction:** Did the academy trust attempt to take retrospective or redressive action after the event (if appropriate)?
  - **Evidence:** Has the academy trust retained a documented trail of its decision-making process, including the rationale for the decision and details of those employees and trustees involved?

## 2.3 Procurement policy notes and value for money

- 2.3.1 [PPN 02/20](#), and its supporting guidance notes, were issued in March and April 2020 by the Cabinet Office. The note was then updated and built upon by [PPN 04/20](#), issued in June 2020. Each of these notes are applicable to academy trusts and they should consider them, where appropriate.
- 2.3.2 In particular they should note that whilst Managing Public Money prohibits payment in advance of need in the absence of HM Treasury consent, HM Treasury has granted consent for such payments (with limits) where the academy trust's accounting officer is satisfied that a value for money case is made by virtue of securing continuity of supply of critical services in the medium and long term. Examples of such costs for academy trusts could include exam board fees.
- 2.3.3 Auditors should take account of the requirements of the Notes so that they can decide whether its application has any implications for their report on regularity.

- 2.3.4 DfE has also published [guidance](#) on the application of PPN 02/20 and PPN 04/20 to academy trusts.
- 2.3.5 Accounting officers must reflect cases where the notes have been applied in their value for money review in the governance statement. They should also explain any situations where COVID-19 has adversely impacted on value for money, if applicable.

## Part 3: Trustees' report

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

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

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

## Part 4: Financial support for COVID-19

### 4.1 Exceptional government funding disclosures

4.1.1 Academy trusts may have incurred costs in relation to COVID-19 and may have received, or be eligible for and is yet to receive, funding from the government's support packages. Whilst the basic accounting principles for recognising income and expenditure apply to these transactions, additional disclosures are required within the financial statements for academy trusts in receipt of this funding as follows.

4.1.2 Where a trust:

- meets the qualifying criteria for the [financial support scheme for schools](#) scheme and has incurred [exceptional costs](#) which are eligible for support (e.g. cleaning costs or free school meals costs outside of the national voucher scheme) and/or
- has furloughed staff and claimed support under the [Coronavirus Job Retention Scheme](#),

it must disclose the funding received, or is eligible for and has not yet received, as well as the costs incurred as part of note 4 in the financial statements as shown in italics below. The example below illustrates this in relation to the Coketown model accounts in the Academies Accounts Direction.

#### Note 4. Funding for the academy trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	2019/20 Total £000	2018/19 Total £000
<b>DfE / ESFA grants</b>				
General Annual Grant (GAG)	-	4,500	<b>4,500</b>	4,257
Start Up Grants	-	-	-	-
Other DfE Group grants	-	85	<b>85</b>	92
ITT Bursaries Grants	-	-	-	-
Teaching School Grants	-	-	-	-
	-	4,585	<b>4,585</b>	4,349
<b>Other Government grants</b>				
Local authority grants	-	-	-	-
Special educational projects	-	-	-	-
Other income from the academy trust's educational operations	-	-	-	-
<b>Exceptional government funding</b>				
Coronavirus Job Retention Scheme grant	-	80	<b>80</b>	-
Coronavirus exceptional support	-	50	<b>50</b>	-
Other Coronavirus funding	-	-	-	-
	-	4,715	<b>4,715</b>	4,349

*The academy trust has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak. The funding received is shown above under "exceptional government funding".*

- *The funding received for coronavirus exceptional support covers £50k of [insert nature of costs reclaimed] costs. These costs are included in notes 7 and 9 below as appropriate.*
- *The academy furloughed [some of] its [insert roles furloughed e.g. catering, boarding] staff under the government's CJRS. The funding received of £80k relates to staff costs in respect of [x] staff which are included within note 10 below as appropriate.*

4.1.3 There is no need to disclose or split out the costs incurred as a separate line in notes 7, 9 and 10 respectively.

4.1.4 If the academy trust has received any other funding to support its COVID-19 response that does not fit into the categories shown above, it should disclose this under "other coronavirus funding" above and provide a narrative below the note to describe its purpose.

## **4.2 National free school meals support**

- 4.2.1 Where academy trusts have participated in the [national free school meals voucher scheme](#), they have acted as a facilitator for the distribution of vouchers from the scheme provider to the parents of eligible pupils. Academy trusts will not have incurred any exceptional costs or received any additional funding in respect of this scheme. No additional disclosure is required in the financial statements in respect of this scheme. However, trusts may choose to include some narrative around their involvement in the scheme as part of their trustees' report.

## **4.3 Other funding**

- 4.3.1 This bulletin does not cover funding receivable in respect of costs incurred in 2020/21, including Coronavirus (COVID-19) Catch-up Premium (also known as Universal Catch-up Premium), recently announced by ESFA.

## **Part 5: Further guidance**

- 5.1 Additional guidance in respect of the impact of COVID-19 on academy trusts' accounts may be issued by ESFA where necessary.