



Academies finance and assurance steering group

2 July 2013

10.30am to 12.30pm, Department for Education, Sanctuary Buildings, 20 Great Smith Street, London, SW1P 3BT

Academy representatives

Val Andrew	ASCL
Adrian Bowater	Walsall Academy
Chris Crowther	Unity Academy
Julie Evans	Martham Primary and Nursery
Chris Hutton	City of London Academy & Independent Academies Association
Steve Lester	St Peter's Catholic High School
Margo Muris	Alec Reed Academy
Amanda Rawson	The Greetland Academy
Barry Walder	The Charter Academy
Mike White	Bartley Green School

Education Funding Agency (EFA)

John Rawsthorne (Chair)	Director of External Assurance
Phil Eames	Head of Assurance
Donna Lewis	Head of Academies Consolidation

Apologies

Sarah Bagshaw	St Bede Church of England Primary Academy
Amanda Bennett	The Greetland Academy
Andrew Dodd	National Association of School Business Management (NASBM)
David Hampson	Tolbar Academy
Stephen Morales	Watford Grammar School
James Nicholson	ULT
James Astridge	DfE Funding Policy Unit
Peter Newson	EFA Deputy Director of Finance

In attendance

Margaret Marston and Laura Fleck, Education Funding Agency
Ian McVicar and Victoria Bowes, Department for Education

Item

1 Attendance and apologies

The chair welcomed everyone to the meeting and noted apologies.

2 Declarations of interest

There were no declarations of interest.

Item

3 Minutes of the meeting held on 3 May 2013

The minutes were accepted as an accurate record of the meeting. The chair reviewed the action points. Val Andrew updated the group on initial discussions around events for principals. The group agreed that this would be considered further at the next meeting.

Action: Val Andrew - Follow up on the possibility of running events for principals working with ASCL

Val Andrew asked if the Department's response to the Public Accounts Committee recommendations was available. Victoria Bowes confirmed that Treasury Minute had been published with the Department's response.

Action: Margaret Marston - Circulate the Treasury Minute to the steering group

Phil Eames provided an update on the recent event for auditors held at the City of London Academy. Two more events are being held at academies in Manchester and Birmingham. Phil Eames explained that there are 245 different audit firms that we know of that will audit accounts for the academic year 2012 to 2013 and probably more that we do not yet know. The EFA will be contacting those firms that do not attend these events. Steve Lester asked whether there will be further information on the areas that auditors and academies experienced difficulties with last year, in particular staff and trustee disclosures.

John Rawsthorne explained that this was discussed at the recent event for auditors and National Audit Office covered issues around consistency in their session. Auditors are expected to apply their professional judgement in providing their opinion, and EFA has given a clearer steer through the Accounts Direction on disclosure requirements. EFA will take stock after the next two events and will consider whether there is a need for any further information to support auditors and academies. The group discussed the importance of academies appointing an auditor with suitable experience. The group agreed that information during the conversion process to help academies with this task would be helpful.

Action: Phil Eames - Consider whether further information is needed from EFA to support auditors and academies with auditor appointments and the audit of accounts

Phil Eames updated the group on seminars for academies being hosted by NASBM covering the Accounts Direction and Academies Financial Handbook. Seminars are taking place at academies in Darlington on 17 July, Manchester on 18 July, St Neots on 22 July, London on 23 July and Exmouth on 25 July. Details are on the NASBM website.

Donna Lewis updated the group on two seminars taking place for new academies next week on the budget forecast. The seminars are in Manchester on 11 July and London on 12 July. Details are on the NASBM website.

4 Working group 1 update

Phil Eames updated the group on behalf of Stephen Morales. He noted that the Academies Financial Handbook had been published following review of a draft by the steering group at the last meeting. The working group had contributed significantly to

Item

successfully publishing the Handbook on time at the right time. The Handbook was published in June to come into effect in September. Steve Lester explained that the final version included policy updates including approval for leases and reporting on value for money.

5 Working group 2 update

Mike White confirmed that the accounts return and benchmarking return had been published. The group had long discussions on the implications for multi-academy trusts. The process for single academy trusts has been simplified so that around 90% of the benchmarking return comes directly from the accounts return. For multi-academy trusts, analysing each data line across every academy in the trust is potentially a sizeable task. Mike explained that the group put forward a number of points to EFA for consideration including that the deadline for submission should be extended to 31 January (rather than 31 December) to allow additional time for work to be completed by academies.

Mike explained that the group has proposed a fundamental review of benchmarking to identify the reasons for data collection, how data is used and what value it has for academies. Adrian Bowater requested that as part of this work, the group should also consider other data requests on academies like the school workforce census.

The group discussed the usefulness of comparisons between single academy trusts and multi-academy trusts and the need to understand which academies could be used as valid comparators in a benchmarking review. The group agreed that before using benchmarking data, a valid comparator group needs to be established which may include factors like geography, deprivation and student numbers. Adrian Bowater suggested that more specific comparisons at a local level were often more valuable to academies. Academies might often share information on a local basis, for example on catering costs, to help inform decisions by the governing body.

Ian McVicar explained that the benchmarking data had two main uses. To help schools and academies to identify areas for potential efficiencies and to ensure transparency on how public funds are spent.

Mike White noted that the working group had achieved a tremendous output and good feedback was already coming through from the auditor events on the improvements that have been made to the Accounts Direction.

The steering group agreed that:

- working group 2 will take forward work to look at the implications of reporting requirements for multi-academy trusts and review the approach for benchmarking

6 Working group 3 update

Adrian Bowater noted that the regularity audit approach developed by the group with auditors was included in the Accounts Direction published at that end of May. The next phase of work for the group will include the further development of the fraud checklist and discussion with CIPFA about the potential development of an academy SORP. The group is meeting on 24 July to take this work forward.

Item

7 **Financial Management and Governance Self-assessment (FMGS)**

Margaret Marston provided a brief update on the FMGS for new academies. The FMGS was introduced in October 2012 to replace the Financial Management and Governance Evaluation (FMGE). The FMGS is a short self-assessment for new academies looking at the “must” requirements in the Handbook that are typically implemented soon after opening.

Adrian Bowater commented that although the FMGE was detailed and lengthy it had value in giving academies confidence that their arrangements met expectations and best practice. John Rawsthorne explained that the FMGS is positioned as a slimmed down document that minimises the need for a detailed submissions to EFA. In future, it could be supported by practical guidance and resources developed by the sector. Barry Walder noted that it would be helpful to reposition the FMGS as a reference tool for academies to work through as governance arrangements are being established rather than a form that had to be filled out and submitted within four months of opening. Val Andrew agreed that presenting the assessment as a continuum of activity would be more useful and better reflect the practical steps needed in new academies. Margaret Marston informed the group about recent discussions in EFA on whether information for convertor academies could be improved to support the transition to new financial management and governance arrangements. This may include pilot induction events for schools during the conversion process.

The group discussed the way in which any supporting material could be accessed by academies. Val Andrew commented that the EFA website provides a credible and trusted access point. Multiple access points may potentially lead to confusion and incorrect information being used. Phil Eames commented that the diversity of the sector meant that it would be difficult to present material as a single solution for everyone. NASBM are developing a library of material which may be one possible access point. The FD Forum is also developing a risk management tool. Chris Crowther explained that within his trust a comms portal is used to share information across all the academies in the trust.

Steve Lester commented that working group 1 is the right group to lead this work given the input to the Handbook and training seminars for academies.

The steering group agreed that:

- working group 1 will prepare a plan to develop supporting material for the FMGS by the end of December and to reposition the FMGS to support academies in developing their financial management and governance arrangements during and beyond the conversion process
- working group 1 will review and comment on an updated FMGS for publication by the end of July to reflect the Handbook

8 **Assurance arrangements for new academies**

Phil Eames explained that the FMGS is used as a source of assurance for the EFA Accounting Officer and to provide value to the sector to help support effective financial management and governance in academies. The EFA visits a sample of academies that submit an FMGS to review the underlying evidence in support of their self-assessment. The EFA is considering whether the assurance that this provides is

Item

sufficient particularly where academies may not submit audited accounts for up to 22 months after opening. The EFA and NAO are looking at the extent of any gap in assurance that may exist at the EFA year end of 31 March.

Barry Walder asked if it is possible to differentiate between those academies that have a short first accounting period and those that have a longer period to identify the extent of any lag or gap in assurance for the EFA accounts.

The steering group agreed that:

- working group 3 will develop a plan to review options for changing the current approach to gaining assurance over new academies and report conclusions by the end of December

Amanda Rawson asked that this work should be linked to a review of the support and information available to schools during the conversion process. The chair commented that the proposed induction events for new academies would be a good opportunity to consider this.

Action: Margaret Marston - To draw on the experiences within the steering group to help develop pilot induction events for convertor academies

9 Funding audit

Phil Eames explained the current approach taken by EFA to audit census data used in funding calculations. Phil Eames explained that the audit is undertaken on a sample basis at a number of academies and as the sector grows, the sample sizes that can be resourced by the EFA may become too low. The group discussed the approach and asked:

- which of the three sets of census data is checked?
- what is the risk?
- what error rates have been identified?

The group asked whether the unique pupil number could limit the need for detailed audit work. Chris Hutton noted that if computer audit and data matching covers most of the risk, this may leave a relatively small area for review like sixth form success criteria and free school meals. The group noted that the eligibility for free school meals is changing and that safeguarding issues around pupil data needed to be considered.

Margo Muris asked about what type of assurance the audit provides:

- Are control weaknesses assessed?
- Is it to support an opinion on the EFA accounts?
- What does EFA gain from the audit and what does the academy gain from the audit?
- What messages are provided to the sector about the outcome of the audit?

Chris Crowther asked about the type of tests that are performed. Overall, the group agreed that it would be helpful to consider what is being audited and why.

Item

The steering group agreed that:

- working group 3 will consider the funding audit approach in terms of what is being audited, what messages are going to the sector as an output from the audit and report back to steering group on options by the end of December

Chris Hutton asked that an overall work programme for steering group is prepared and shared to help academies identify what developments are being considered. Adrian Bowater requested that the overall distribution of work across the three working groups is reviewed to ensure that reporting timetables can be achieved.

Action: Margaret Marston - Create a group work plan for the next phase of work, review the allocation of projects across the three working groups, review membership of the steering group and working groups and circulate for comment by the steering group.

10 Fraud awareness resources

Adrian Bowater introduced a checklist developed by working group 3 with contributions from academy auditors. The group agreed that the variable level of understanding in new academies about control arrangements suggested that further work could improve measures to prevent and detect fraud. The group discussed the communication arrangements around information to Accounting Officers on roles and responsibilities. As an example, the recent letter from Peter Launer to academy accounting officers may not be shared with the business manager or governing body.

The group agreed that the recent publication of external assurance reports on the EFA website was helpful. Some of the group had shared these reports and the earlier 'Priory Report' with governors. The group discussed how academies could use and develop information to identify the lessons learned from these types of cases and how this could be shared across the sector.

Chris Hutton commented that auditors often ask for academy procedure notes on authorisation for different types of transactions and expenditure. While controls are often strong, for example, on contracted expenditure, there are more judgemental areas like, for example, staff benefits that may need greater clarification.

The steering group agreed that:

- working group 3 will identify ways for the academy sector to identify the lessons learned from instances of fraud and irregularity and consider how this can be shared across the sector.

11 Any other business

The chair asked the group to email any other suggestions of areas of work for the group to consider in the forward work plan. Chris Hutton asked that the schedule of work for the steering group and working groups, once agreed, should be shared more widely so academies can see what developments are being taken forward.

Item

12 Date of the next meeting

Following discussion, the chair proposed that the next meeting will be in November. Details will be confirmed and circulated to the group.

In the meantime, the working groups will arrange meetings to progress the strands of work discussed by the steering group. Adrian Bowater noted that working group 3 will be meeting on 24 July.

The chair confirmed that progress updates will continue to be provided to steering group by email circulation.

The meeting ended at 12.45pm.