



## Academies finance and assurance steering group

12 November 2013

11am to 1pm, Department for Education, Sanctuary Buildings, 20 Great Smith Street, London, SW1P 3BT

### Academy representatives

|                 |                                   |
|-----------------|-----------------------------------|
| Adrian Bowater  | Walsall Academy                   |
| Amanda Rawson   | The Greetland Academy             |
| Andrew Dodd     | NASBM                             |
| Chris Hutton    | City of London Academy & FD Forum |
| Gareth Dawkins  | Bradford Academy                  |
| Julie Evans     | Martham Primary and Nursery       |
| Margo Muris     | Alec Reed Academy                 |
| Mike White      | Bartley Green School              |
| Stephen Morales | NASBM                             |
| Steve Lester    | St Peter's Catholic High School   |
| Val Andrew      | ASCL                              |

### Education Funding Agency (EFA)

|                      |                            |
|----------------------|----------------------------|
| Peter Newson (Chair) | Deputy Director of Finance |
|----------------------|----------------------------|

### Apologies

|                 |   |
|-----------------|---|
| Amanda Bennett  | The Greetland Academy                     |
| Barry Walder    | The Charter Academy                       |
| Chris Crowther  | Unity Academy                             |
| David Hampson   | Tollbar Academy                           |
| James Nicholson | ULT                                       |
| John Rawsthorne | Director of External Assurance            |
| Kam Tallhar     | Nishkam Free School                       |
| Mark Aldridge   | Hockerill Anglo-European College          |
| Martin Latham   | Robinswood Primary School                 |
| Sarah Bagshaw   | St Bede Church of England Primary Academy |
| Victoria Bowes  | Department for Education                  |

### In attendance

Phil Eames, Head of Assurance  
Donna Lewis, Head of Academies Consolidation  
Chris Patterson, Senior External Assurance Manager  
Christina Thomas-Lewin, Education Funding Agency  
Claire Shephard, Education Funding Agency  
Ian McVicar, Department for Education  
Michael Lawler, Education Funding Agency  
David Massey, Education Funding Agency

## 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.

### 3 Minutes of the meeting held on 2 July 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 conversion to MAT sessions.

Phil Eames provided an update on whether the EFA should be supporting academies with auditor appointments and the audit of accounts. Phil noted that the EFA has received few queries from academies or auditors on this topic and the sector was better placed to help its members with such queries.

The group queried the questions at minute 9 regarding funding audits and Adrian Bowater noted that he would cover the topic of the funding audits in his update.

### 4 Programme of work

Peter Newson noted the previously circulated programme of the group's work and proposed that the working group chairs could best cover the programme through their updates.

He also asked that the working group chairs provide an update on any new members of the working groups in order that the EFA can update the working groups' terms of reference.

### 5 Working group 1 update

Stephen Morales gave an update on working group 1's plans in 2014 and the timeframes for completion. The working group is aiming to recommend publication of the 2014 Academies Financial Handbook (AFH) by the end of June 2014. The process will involve an internal consultation in the Department in November and an initial questionnaire to all the working groups in December. The EFA will analyse the results in January and make the results and proposed changes to the AFH available to the next meeting of working group 1. Working group 1 will consider the first draft of the AFH in February. Working group 1 will conclude its review in April 2014.

David Massey noted that the EFA was only able to publish the 2013 handbook after consulting the Departmental policy team, who liaised closely with HM Treasury. The EFA intends to consult the policy team sooner in developing the 2014 handbook, allowing sign off to be complete by May 2014 or even earlier.

Stephen Morales confirmed that after sign off by the working group in March, the steering group would receive the AFH at its next meeting, thought to be April ready for Departmental approval in May.

In discussion, David Massey noted that the Department had published the 2013 AFH a month before HM Treasury published an updated version of *Managing Public Money (MPM)*. As the AFH is an expression of *MPM* as applied to academies, the EFA will need to ensure that the 2014 AFH aligns with *MPM*. David noted further that

where the EFA funded academies on estimates, these academies would not have access to some of the freedoms available under the AFH to those academies on census based funding, unless the academy was committed to move to census based funding. These freedoms include: disposal of assets, leasing, severance payments and GAG carried forward. Additionally Phil Eames confirmed that access to freedoms in the AFH are withheld from academy trusts where a Financial Notice to Improve has been issued.

Stephen Morales provided an update on his recent meeting with EFA colleagues to discuss the work programme. This included the future of the Financial Management and Governance Self-assessment (FMGS) to include a good practice library and material to support the AFH. Phil Eames suggested the FMGS's derivation from the AFH would ensure the continuing relevance of any guidance even if the EFA removed the requirement on academies to complete the FMGS.

Members agreed that the FMGS is a powerful resource for not only the Finance Director but also the Headteacher as Accounting Officer and the Governors. It helps the Accounting Officer appreciate the detail involved in the conversion process. As such, the EFA can develop the FMGS into a useful tool rather than an un-owned requirement for new academies. Members considered that the FMGS could help academies with due diligence before converting and avoid corrective action once open.

Stephen Morales closed his update by confirming that members should expect the questionnaire on the AFH in December or January 2014.

**Action 1:** WG1 to provide feedback on the AFH questionnaire that will be circulated to all working group members.

**Action 2:** Peter Newson clarified that he would discuss the conversion process with the Departmental group responsible for new academies.

## **6 Working group 2 update**

Mike White provided an update on the meeting of working group 2 on 14<sup>th</sup> October.

He confirmed that there are 3 new members to working group 2 and two of those were able to join the meeting in October.

New members are: David Baron, Finance Director – Prospects Academies Trust, Maria Lysenko, Vice Principal Business and Finance – Bluecoat Academy and Tony Round, Group Financial Accountant – Ormiston Academy Trust.

Mike White noted that the working group had an open discussion with Barney Leavers from HM Treasury about academies' financial reporting. HM Treasury had aired a suggestion that the Department could reduce the complexity of the annual accounts return and in return academies would submit summarised quarterly financial returns. The suggestion had received a mostly negative response from the working group.

In discussion, the group was concerned about the need HM Treasury was seeking to address. Academies currently produce two financial returns a year available to HM Treasury, far less frequently than most of central government. HM Treasury was unsighted for much of the year as how public money was being used and the consolidated accounts return lagged long behind the financial year-end. Local

authority maintained schools' reporting is varied, although many produce frequent, summarised returns. This is not an exact analogy as DCLG consolidates neither the budgets nor the accounts of local authorities or their maintained schools. The EFA consolidates academies as the Office of National Statistics has classified academies within the central government boundary, unlike local authority schools.

The ONS is unlikely to revisit this classification unless primary legislation changes the Department's relations with academies and there are no known legislative proposals. The Department may not lobby ONS on this matter. The group noted that the EFA would have a major task receiving and validating academies' quarterly financial returns. Academies' own financial management information to governors will not be compatible with centralised reporting.

Mike White continued his update with the budget forecast return and its move to an online form. Working group 2 will be testing this form ready for March 2014. Donna Lewis noted that the digital form is out in first draft for comments and this will be finalised in time for the next round of budget forecasts.

Donna Lewis explained that the EFA are building in validation checks to the forms so each academy has to confirm any figures flagged as outside of the range are correct before the form can be submitted. Donna is meeting with Deloitte to discuss this.

Donna Lewis confirmed that they will be looking for volunteer academies to test the new digitised Accounts Return and Budget Forecast return.

Mike White noted that the Accounts Direction is also part of the remit for working group 2 and this is due to be published by May 2014. There will be an internal consultation with the EFA and working groups via questionnaire with a draft version being shared with the Steering Group in February.

Mike noted the need to be mindful of the forthcoming impact of FRS102. This will first apply to academies' financial statements for the year ended 31 August 2016, albeit with the inclusion of comparative figures for the year ended 31 August 2015, so the Accounts Direction for the year ended 31 August 2014 would not be immediately affected

David Massey explained that FRS102 is not expected to have a major effect on academies but areas with changes include: PFI contracts; some simplification of the Statement of Financial Activities; and some academies may be affected by the move to the fair value approach to valuing assets and liabilities.

In addition to the work streams above, the next working group 2 meeting will include benchmarking for MATs and the issue of comparability and having different categories of academy trusts.

**Action 3:** Donna Lewis to feedback to the group the outcomes of the meeting with Deloitte on the validation process.

**Action 4:** WG2 to provide feedback on the Accounts Direction questionnaire that will be circulated to all working group members.

Donna Lewis was excused from the meeting at 12:12.

## 7 Working group 3 update

Adrian Bowater noted that he has two new members in working group 3. These are: Mike Ford – Oasis and Simon Oxenham – Southend High School for Boys.

Adrian Bowater noted that regularity for 2013/14 is to be reviewed by the working group and brought to the next steering group meeting in 2014. Phil Eames added that the National Audit Office were content with the 2012/13 framework.

Adrian Bowater gave an update on the FMGS return which the group believes should be available as a useful online tool to assist new academies during the conversion process. This will ensure they have the necessary documents and policies in place from the outset.

Adrian Bowater confirmed that guidance from the EFA outlining the responsibilities of the trust is needed; although this is detailed in the 'Dear Accounting Officer letter' it is not always seen by the Accounting Officers early enough in the conversion process.

Adrian Bowater noted that the EFA have been performing funding audits for the past few years and the group has been reviewing other possible assurance methods. He noted that there will need to be liaison with NAO to consider if others options are acceptable that would provide better value for money.

Phil Eames informed the group that based on the results of the 2011/12 funding audits for new converters; the majority received an unqualified audit which provides the EFA with some assurance in the ability of the sector.

Michael Lawler suggested that analytical review could reduce the number of funding audits performed but where assurance can't be obtained through data analysis, the EFA could carry out targeted funding audits as opposed to the historical random sample. Phil Eames commented that proportionally the sample size is reducing as the number of academies is increasing.

Adrian Bowater went on to comment on the fraud awareness topic discussed at the working group 3 meeting. Peter Glover presented his paper to the group that included some good data analysis around this area. Peter is analysing the results further.

Amanda Rawson noted that some statistics she had received showed that fraud in academy trusts was more prevalent in those that had been open for a few years rather than in newly opened academies.

It was discussed that high profile cases have highlighted potential issues but these are brought to light later in the cycle. If action is dependent upon results from the financial statements then this is potentially a late reaction to the issue.

Margo Muris noted that there would need to be significant issues at an academy before the auditors would qualify the audit report, and asked if the FMGS returns were analysed for potential issues and if this could be summarised and reported to the steering group.

**Action 5:** Phil Eames/Michael Lawler – to circulate paper on FMGS results to steering group members.

## **8 Any other business**

Margo Muris asked if there had been any questionnaire to new converters to ask

how they were supported. Peter Newson confirmed that a similar questionnaire had been developed but the results of this had not been seen.

Steve Lester queried the value for money statement and whether this sits in any of the working groups.

**The steering group agreed that:**

Working group 1 to update and review the value for money statement.

Chris Hutton noted that as part of the work of the communications group they are aiming for each academy to have individual access to their own page with documents to complete and guidance on how to submit these. This will be trialled next year.

Peter Newson confirmed that the transfer to the GOV.UK website is in progress and will be complete by March 2014.

Gareth Dawkins requested that the date for the next meeting be communicated before Christmas.

**Action 6:** Christina to add value for money statement to WG1 on the programme of work.

**Action 7:** Christina to confirm date of next meeting.

**9 Date of the next meeting**

Following discussion, the chair proposed that the next meeting will be on Tuesday 11 February. Details will be confirmed and circulated to the group.

The meeting ended at 12.45pm.