

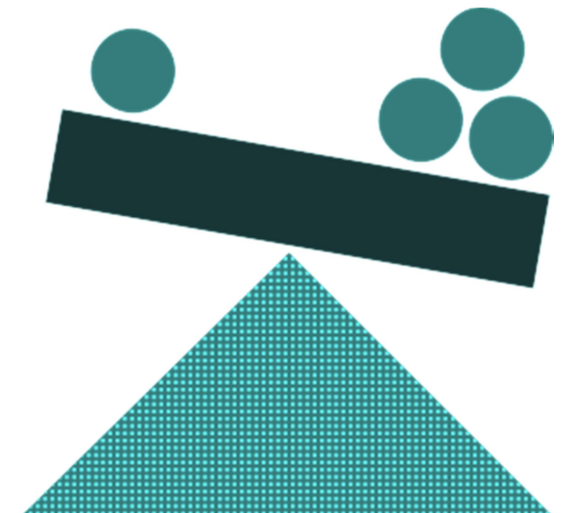
Key Audit Issues Memorandum

for the year ended 31 August 2019 for

Light Hall School

Prepared by: Matthew Stephens, Audit Manager

Date of issue: 28 November 2019



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1. Introduction

This report has been prepared for the trustees of Light Hall School to bring attention to those charged with governance various matters arising from the audit of the academy trust for the year ended 31 August 2019.

Our audit and assurance procedures, which have been designed to enable us to express an opinion on the financial statements and provide a limited assurance conclusion on regularity, have included an examination of the transactions and controls thereon of the Academy Trust.

The work we have done was not primarily directed towards identifying weaknesses in the academy's accounting systems, other than those that would affect our audit or assurance opinions, nor to the detection of fraud. We have, however, designed our audit and assurance procedures in such a way that we felt would increase our chance of detecting any fraud.

We have included in this report only those matters that have come to our attention as a result of our normal audit and assurance procedures and, consequently, our comments should not be regarded as a comprehensive record of all weaknesses that may exist or improvements that could be made.

This report is to be regarded as confidential to the trustees of Light Hall School and is intended only for use by them, and the staff of the academy. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this report, or any part of it, is disclosed to a third party, other than to the Education & Skills Funding Agency, our written consent must be obtained.

The report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could result in material loss to the academy trust or misstatement of the financial statements and other financial data.

Roles and Responsibilities

The trustees are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the trustees confirm that our understanding of all of the matters referred to in this report are appropriate, having regard to their knowledge of the particular circumstances.



2. Overview

A comprehensive overview of the audit processes are detailed in the Audit Service Plan, which has been issued to the Academy.

Significant risks

As part of our audit procedures we are required to consider the significant risks that require special audit attention.

Auditing Standards require us to consider:

- Whether there is a risk of fraud;
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention;
- The complexity of transactions;
- Whether the risk involves significant transactions with related parties;
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

The identified significant audit risks were communicated to you in our audit planning report issued before our main fieldwork began. We now note the work performed and conclusions drawn on the following pages:



3. Overall audit strategy and approach to significant risks

Significant risk	Explanation of the risk	Audit work performed	Conclusion
<p>Revenue recognition (mandatory risk)</p>	<p>There is an inherent risk in all organisations in relation to revenue recognition, i.e. that income may be accounted for in the wrong period. The auditor's responsibility to consider fraud in an audit of financial statements therefore is an assumption that revenue recognition is a fraud risk.</p> <p>Income from grants should be recognised when the conditions of recognition have been satisfied.</p> <p>Income from contractual arrangements should be recognised in the period in which entitlement has been earned through service delivery.</p> <p>Management exercise judgment in determining when income from grants should be recognised.</p> <p>There is also potentially management judgement in the classification of income between restricted and unrestricted funds.</p>	<p>We documented the income systems and carried out audit procedures to gain assurance over the operation of internal financial controls in place to prevent the loss of income and to ensure that income is recorded in the correct period.</p> <p>We discussed with the trustees and academy finance staff whether they are aware of any cases of fraud occurring during the year. We also reviewed FGB and Finance & Resources Committee minutes.</p> <p>Our audit testing involving sampling income balances and the associated funding agreements, verifying to supporting documentation to ensure income has been recognised in the correct period.</p> <p>We also considered whether income had been correctly classified between restricted and unrestricted funds, reviewing any terms and conditions of, for example, grant income.</p>	<p>No significant issues arose during our sample based checks including on our work on ESFA and non-ESFA income.</p>



3. Overall audit strategy and approach to significant risks

Significant risk	Explanation of the risk	Audit work performed	Conclusion
Management override (mandatory risk)	<p>The trustees and other management have the primary responsibility for the detection of fraud, as an extension of their role in preventing fraudulent activity. Trustees should ensure a sound system of internal controls is in operation to support these, and other, objectives.</p> <p>Auditing Standards presume a significant risk of management override of the system of internal controls.</p> <p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error.</p> <p>We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent.</p>	<p>Management often find themselves in a unique position where potentially could override routine day to day financial controls.</p> <p>Our audit considers this risk and we adapt our procedures accordingly.</p> <p>During our audit we considered the possibility of manipulation of financial results, for example through the use of journals or management estimates, such as provisions and accruals.</p>	<p>Our audit procedures have not identified any instances of management override.</p>
Valuation and disclosure of the LGPS deficit and related disclosures required under FRS 102	<p>This is a material provision and accounting estimate to be included with complex disclosures that are subject to a high degree of judgement.</p> <p>For 2018-19 there are specific issues such as revised mortality assumptions and the impact of the McCloud case which will affect the closing liability.</p>	<p>Review the documentation from the actuary and ensure that the assumptions therein are valid and reasonable, paying particular attention to adjustments made (or not made) in respect of McCloud and updated mortality assumptions.</p> <p>Ensure that the correct provision has been made at the end of the period and that all movements and disclosures in the period have been treated correctly.</p>	<p>The basis of the FRS 102 liability appears reasonable, and is in line with that used by other academies.</p> <p>You have instructed the actuary to prepare the FRS 102 report using their default assumptions and so McCloud has been taken into account.</p> <p>This has had the impact of increasing the closing LGPS liability by £43k, reflected as past service cost.</p> <p>Big movement for one school?</p>



3. Overall audit strategy and approach to significant risks

Significant risk	Explanation of the risk	Audit work performed	Conclusion
<p>Regularity and propriety of income and expenditure</p>	<p>We are required to obtain limited assurance about whether the expenditure disbursed and income received by the trust during the financial year have been applied to the purposes intended, and whether the financial transactions conform to the authorities which govern them.</p> <p>The Academies Accounts Direction lists the following matters which apply to the trust which may potentially trigger an increased likelihood of irregularity in an established academy trust:</p> <ul style="list-style-type: none"> • culture (attitude and values) within the academy trust; • a change in accounting officer, principal finance officer or significant changes in the board of trustees; • an expansion of the number of academies within the academy trust; and • changes to the scheme of delegation or major accounting systems. <p>Regularity also covers compliance with the Academies Financial Handbook (AFH) which contains a significant number of 'must' requirement which the trust needs to adhere to.</p>	<p>Review of systems in place to ensure that there are financial controls in place that comply with guidelines in the Academies Accounts Direction.</p> <p>We have asked the Accounting Officer to complete a regularity checklist asking for confirmation of compliance with Annex C 'musts'. The answers to these were reviewed and, if necessary, discussed with the AO to obtain further explanations. Where necessary the answers were corroborated with other information available to us.</p> <p>An assessment of the risk of material irregularity and impropriety across all of the academy trust's activities.</p> <p>Sample check of transactions, including purchases and salary payments, to source documentation to ensure expenditure incurred for a valid purpose and does not indicate any regularity issues.</p> <p>Review and testing of credit card transactions.</p> <p>We also considered whether income had been correctly classified between restricted and unrestricted funds, reviewing any terms and conditions of, for example, grant income.</p>	<p>We have not been informed of any material control weaknesses or irregularity.</p> <p>Based on our review of the regularity checklist, the work undertaken to verify the responses provided, and our consideration of the regularity and propriety of transactions selected for our sample based testing, we are satisfied that the conclusion reached in our regularity assurance report is appropriate.</p> <p>We have not noted any instances of non-compliance with the AFH.</p>



3. Overall audit strategy and approach to significant risks

Significant risk	Explanation of the risk	Audit work performed	Conclusion
<p>Related and connected parties</p>	<p>We are required to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the Companies Act 2006 and Academies Accounts Direction. In particular, the Accounts Direction requires that:</p> <ul style="list-style-type: none"> • declarations of business interests have been completed by those in a position to influence the academy trust, including key staff; • contracts with connected parties have been procured following the academy trust's procurement and tendering process; • where contracts are entered into or renewed the academy trust has obtained statements of assurance (confirming no profit element was charged) and the academy trust has followed their internal processes in reviewing this; • the academy has requested, under the open book arrangement, a clear demonstration that the charges do not exceed the cost of supply; • any trustees who provide consultancy services to the academy are not receiving a profit for their services and the correct procurement and tendering process is being followed; • no connected party gains from their position by receiving payments under terms that are preferential; and • if employees are providing external consultancy that the income is being received into the academy's accounts if the work was performed within the academy's normal working hours. • relevant new related party contracts of other agreements entered into post 1.4.2019 have been notified to the ESFA in advance, and that pre-approval has been obtained for any such transactions in excess of £20,000 (including cumulatively in the year). 	<p>We discussed with management and reviewed trustee and other senior management declarations to ensure there are no potential related party transactions which have not been disclosed.</p> <p>Internal procedures in place for the identification of related party transactions were reviewed and assessed, and any relevant information concerning any such identified transactions was reviewed.</p> <p>A Companies House search was completed for each of the trustees to identify possible related parties with which the trust may have transacted.</p> <p>We have requested written management representations from you confirming the full disclosure of related party transactions.</p>	<p>No related party transactions have taken place between the trust and parties connected to the trustees during the year.</p> <p>Based on the work undertaken, we have not identified concerns over the completeness of related party transaction disclosures.</p> <p>We will obtain written representations from you also, asking the Board and to confirm their satisfaction with the completeness of the disclosures made.</p>



4. Status of audit issues raised in prior year

This section updates you on the status of the issues we brought to your attention last year, and confirms whether any further action is required.



Medium risk/priority - internal controls should be strengthened to enhance operational efficiency but action is not time critical.

Med



Low risk/priority - Internal controls could be strengthened but there is little risk of material loss. This may be a point for future consideration as risks faced by the Trust evolve over time.

Low





Advisory only. This point has been raised merely to bring something to your attention, or to highlight areas of inefficiencies or good practice.

	Issue raised in prior year	Priority prior year	Solution suggested in prior year	Follow up comments / further action required	Priority now
1.	<p>There are no independent checks of changes to bank sort codes for BACs payments made by the Academy.</p> <p>Changing bank sort codes to transfer payments to a non-supplier organisation and then reverting back to the original details, is the most frequent type of fraud transaction.</p> <p>It is noted that there is no evidence of these transactions taking place at Light Hall School.</p>	 Low	<p>It is recommended that an audit report produced from Corero identifying changes to supplier accounts details, are reviewed by an individual without access to the finance system.</p> <p>The details should be referred periodically to the Audit Committee and retained for audit purposes.</p>	<p>The audit report is now produced, however this is only done when there has been a change in details.</p> <p>For the control to be effective, the report should be produced and reviewed as part of the process for all BACs payments.</p>	 Low




4. Status of audit issues raised in prior year

	Issue raised in prior year	Priority prior year	Solution suggested in prior year	Follow up comments / further action required	Priority now
2.	<p>The reserves policy states that the level of available reserves should be the equivalent to 1 week's expenditure, i.e. approximately £100k.</p> <p>With reserves at just 1 week's expenditure, this leaves little contingency to deal with unforeseen issues.</p> <p>It is noted that Light Hall School currently holds free reserves of £453k.</p>	 <p>Low</p>	<p>It is recommended that the reserves policy is adjusted for the level of free reserves held to be at least 4 weeks' expenditure, to reflect the need to adequately meet unforeseen issues.</p>	<p>The reserves policy has been appropriately updated.</p>	Completed
3.	<p>During the audit it was identified that land had previously been depreciated over the 125-year lease (£54k per annum).</p> <p>FRS 102 states that land should not be depreciated as it is considered to have an indefinite useful life.</p> <p>The most recent re-valuation of land and buildings was in February 2012.</p>	 <p>Low</p>	<p>It is recommended that an ESFA desktop valuation is obtained to ensure the value of land and buildings is recorded at 'fair' value within the financial statements.</p>	<p>ESFA desktop valuation has been obtained.</p>	Completed but refer to section 5.



4. Status of audit issues raised in prior year

	Issue raised in prior year	Priority prior year	Solution suggested in prior year	Follow up comments / further action required	Priority now
4.	<p>There are a significant number of “scam” invoices being issued to all organisations, including examples of VAT being charged inappropriately.</p> <p>VAT numbers are currently not checked to an independent source for verification.</p>	 <p>Low</p>	<p>It is recommended that a sample of invoices, particularly with those using a PO address, are investigated by using VIES which verifies the VAT code as being correct.</p> <p>https://europa.eu/youreurope/business/taxation/vat/check-vat-number-vies/index_en.htm</p>	<p>Invoices are now verified as recommended.</p>	Completed



5. Recommendations for the current year

Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you. As the purpose of the audit is for us to express an opinion on the trust's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We confirm that we have not identified any significant deficiencies in internal control during the current year audit.

We did, however, note some areas where minor improvements could be made and these are listed later in this report.

We are also required to communicate other significant audit findings such:

- where we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate in the particular circumstances of the entity;
- significant difficulties, if any, encountered during the audit; or
- other matters, if any, arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process are communicated to those charged with governance.

We confirm that we have nothing to report to you in any of the above three areas.



5. Recommendations for the current year

Other deficiencies in internal control

We also bring to your attention other deficiencies that came to our attention during our work, again along with our recommendations, and your own response:



Med

Medium risk/priority - internal controls should be strengthened to enhance operational efficiency but action is not time critical.



Low

Low risk/priority - Internal controls could be strengthened but there is little risk of material loss. This may be a point for future consideration as risks faced by the Trust evolve over time.





Advisory only. This point has been raised merely to bring something to your attention, or to highlight areas of inefficiencies or good practice.

	Priority	Area	Observation	Recommendations	Management response
1.	 Low	Management Accounts	<p>Section 2.3.3 of the Academies Financial Handbook states that management accounts must comprise the following:</p> <p>“Budget variance reports and cash flow forecasts with sufficient information to manage cash, debtors and creditors.”</p> <p>The current monthly management accounts do include variance reports to budget, but do not include information on debtors, creditors and a cash flow.</p> <p>A cashflow is prepared, this does not currently form part of the monthly management accounts.</p>	<p>It is recommended that the management information should include details of the balance sheet and a cashflow.</p> <p>The board should also consider using the ‘At a Glance’ report for the Chair of Trustees, which will provide trends of activities etc. rather than a full management report. This management information format is issued by many academies. This can be particularly useful for Trustees who do not have a financial background. </p>	<p>Balance Sheet and Cashflow will be included in Management Information Reports from January 2020.</p> <p>Board will consider whether to use the “At A Glance” report for the Chair of Trustees or whether to continue with the current detailed Management Accounts.</p>
2.	 Low	Pupil Premium	<p>The Light Hall School website does not currently include pupil premium information relating to the prior year.</p> <p>The ESFA guidelines recommend that for the previous academic year, the following should be published:</p> <ul style="list-style-type: none"> • how you spent your pupil premium funding • the effect that the pupil premium had on pupils <p>https://www.gov.uk/guidance/what-academies-free-schools-and-colleges-should-publish-online#pupil-premium</p>	<p>It is recommended that the guidance on what an academy school should publish is reviewed, to ensure the Light Hall School website reflects the requirements.</p>	<p>Will complete in January 2020</p>





5. Recommendations for the current year

	Priority	Area	Observation	Recommendations	Management response
3.	 Low	Land & Buildings Valuation	<p>The ESFA Land & Buildings Desktop Valuation has valued the land and buildings at £14m as at 31 March 2016. The current value of land and buildings recorded in the financial statements as at 31 August 2019 is £20.5m. This represents a difference in valuation of £6.5m from 2016.</p> <p>Given the significant difference in valuation, this has not been adjusted for in the financial statements, before further clarity is sought.</p> <p>The Desktop Valuation states that this does not need to be adopted in the financial statements.</p> <p>As Light Hall School are part of the RPA scheme, buildings are insured to their replacement value, so there is no risk that the buildings are undervalued for insurance purposes.</p>	<p>It is recommended that a formal valuation of the land and buildings is undertaken, to ensure that they are accurately represented in the financial statements.</p>	<p>Accepted. Formal Valuation of Land and Buildings will be completed by 31st August 2020.</p>
4.	 Low	Procurement	<p>The Scheme of Delegation states that invoices over £5,000 require authorisation from the Head Teacher prior to payment.</p> <p>One invoice for £5,933 from Babble Cloud (AT) Limited for technology costs did not have the Head Teachers signature.</p> <p>No other invoices were identified that did not have the appropriate approval.</p>	<p>It is recommended that all invoices are authorised in line with the Scheme of Delegation.</p>	<p>Invoices over £5k are signed by the Head Teacher prior to payment. 1 invoice was missed due to a new Finance Assistant being in post and being in training. This is now rectified.</p>



5. Recommendations for the current year

	Priority	Area	Observation	Recommendations	Management response
5.		The General Data Protection Regulation ("GDPR")	<p>The General Data Protection Regulation (EU 2016/679 ("GDPR") is a regulation in EU law on data protection and privacy for all individuals within the European Union (EU) and the European Economic Area (EEA).</p> <p>The primary objectives of the GDPR are to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. There are issues which businesses need to take into account for example:</p> <ul style="list-style-type: none"> • Failure to meet GDPR standards will result in fines of up to 4% of turnover and the prosecution of all directors regardless of the rules of limited liability. • GDPR and PECR require organisations that hold all types of data – digital and physical (paper and voice for example) to be able to demonstrate accountability for it at every stage of its lifecycle, with the Information Commissioner's Office (ICO) able to impose major fines and the power to shut down organisations data activities by force. • Failure to meet new data adequacy standards can now result in partners, clients and others refusing to do business or exchange data because of the risks involved. • Organisations that have not taken any steps to prepare for the changes in how personal data is handled will be viewed negatively by the supervisory authorities. Data breaches are inevitable – how they are handled is more important than the fact of their having occurred. 	It is recommended that consideration be given to completing a GDPR Gap Analysis Questionnaire to understand any issues that the organisation faces. 	<p>Solihull Metropolitan Borough Council are the contracted Data Protection Officer Service for the school.</p> <p>They have visited the school in October 2019 and advised that the school complete a Data Protection Self Assessment Questionnaire, Then the DPO from SMBC will visit the school to review the findings and make recommendations for improvement.</p> <p>Self-Assessment Questionnaire to be completed December 2019. SMBC DPO visit – Spring Term 2020.</p>



Appendix I – Agreed accounting adjustments

The following differences have been identified during the audit and posted to the statutory accounts, following agreement with your key management:

Journal No.	SOFA / BS	School Code	Nominal Code	Ledger Description	Dr	Cr	Effect on Deficit / Surplus £	Revised Deficit / Surplus £
As Per Draft Accounts								475,503.10
							Check	-
AUDITS ADJUSTMENTS								
1	SOFA	LHS	54208	Building Maintenance Reactive		2,290.00		
	SOFA	LHS	54209	Building Maintenance Planned		9,897.00		
	SOFA	LHS	54214	H & S annual Services (PE,Tech,Science)		1,440.00		
	SOFA	LHS	80000	ICT Hardware/Development		7,750.00		
	BALANCE SHEET	LHS	A9030c	Furniture and Fittings and Equipment	13,627.00			
	BALANCE SHEET	LHS	A9050b	Computer Equipment - Additions	7,750.00			
					21,377.00	21,377.00	(21,377.00)	454,126.10
Journal to Move capital items from revenue expenditure							0.00	
2	SOFA	LHS	90070a	Depreciation in Year Fixture & Fittings	829.14			
	SOFA	LHS	90090a	Depreciation in Year Computer Equipment	1,156.25			
	BALANCE SHEET	LHS	A9035c	Furniture, Fixture and Fittings Accum Depn - charge		829.14		
	BALANCE SHEET	LHS	A9055c	Computer Equipment Accumulated Depreciation - charge		1,156.25		
					1,985.39	1,985.39	1,985.39	456,111.49
Journal to Post additional depreciation							0.00	
As Per Final Accounts								456,111.49
							Check	-



Appendix II – Summary of financial performance and position

Financial performance

Based on the audited financial statements, **the trust's total reserves decreased by an amount of £797k** during the year. This total movement on funds is shown in the main statutory financial statements on the Statement of Financial Activities.

Excluding movements on tangible fixed assets, the LGPS defined benefit pension liability, and other non-recurring items, **the trust's "operational" deficit on revenue funds for the year was £34k**, as reconciled below.

		2019 (£000s)
Overall net movement in funds for the year per SOFA		(797)
Add: Movement attributable to fixed asset fund	See A	265
LGPS actuarial (gain)/loss	See B	340
LGPS service and interest costs	See B	158
Operational surplus /(deficit) on revenue funds after transfers to capital		(34)
Add: Transfers from revenue to capital to fund fixed asset additions		-
Operational surplus /(deficit) on revenue funds before transfers to capital		(34)

Note A - The movement on restricted fixed asset funds comprises capital grant income received during the year less depreciation charged on capitalised assets purchased from such funds. Since these do not relate to day-to-day operational matters the movement on fixed asset funds is excluded from the operational result.

Note B - The Balance Sheet carries the trust's share of the deficit on the Local Government Pension Scheme. A detailed report has been prepared by an actuary detailing the movement in the deficit during the year. The movement is in two parts: (1) the actuarial gain relates to movement linked to the assumptions made by the actuary, (2) other movements comprising (i) net interest costs (ii) current service costs - the value of benefits accrued by members over the accounting period less contributions paid and (iii) past service costs for additional benefits granted during the year which included the adjustment for McCloud. Again since the LGPS movement do not relate to operational matters these have been excluded from the operational result.



Appendix II – Summary of financial performance and position

Financial position

The Balance Sheet summarises the financial position of the trust at 31 August 2019 and a more detailed split is contained in the Statement of funds note within the financial statements.

The table below highlights the key numbers you should be aware of and the prior year comparatives:

			2019 (£000s)
Total funds			19,021
Split between:			
Revenue income funds	Restricted funds	0%	-
	Unrestricted funds	100%	419
(1) Total revenue income funds			419
(2) LGPS pension reserve			(2,108)
Restricted fixed asset funds	Net book value of fixed asset		20,543
	Unspent capital grant money		167
(3) Total fixed asset funds			20,710



Appendix II – Summary of financial performance and position

Key disclosures and other information in the statutory accounts

Trustees' report financial review. The financial review and financial position sections of the trustees' report narrative provide a detailed explanation of the financial performance in the year.

Reserves. This section of the trustees' report compares the financial position and funds held against your reserves policy.

Related party disclosures. This note discloses any related party transactions taking place during the year, and also discloses whether any close family of any trustee, member or senior management work for the trust.

Going concern. Accounting policy 1.2 explains why trustees have concluded that the use of the going concern basis to prepare the financial statements is appropriate.

Benchmarking of key ratios

In early 2020 we will be preparing our 8th annual benchmarking report for academies.

Our last benchmarking report covered over 800 academies and we anticipate our report based on 2018/19 results will cover even more.



Appendix III – Unadjusted audit differences

We are required to bring to your attention audit adjustments that the trustees are required to consider. A schedule of such adjustments is included below.

The net effect of the unadjusted misstatements outlined below, would be to reduce the deficit by £3k.

	I&E	Balance Sheet
Additional prepayments	-£8,893.10	£8,893.10
Additional accruals	£4,183.47	-£4,183.47
Errors in existing accruals	£1,800.00	-£1,800.00
Total	-£2,909.63	£2,909.63



Appendix IV – Emerging and topical issues in the academy sector

Further clarification on related party rules

The ESFA have recently updated their guidance on related party transactions.

This confirms that there is no need to notify or seek approval for any income from related parties.

For expenditure related party transactions with a new supplier, academy trusts must, however, confirm whether they have previously received a donation from the related party.

Academy trusts must continue to declare their intention to enter into a new agreement before confirming the transaction with a related party supplier. This includes agreements being renewed with a related party supplier.

Any single proposed contract or agreement exceeding £20,000 or a proposed contract or agreement of any value which means the total value of contracts or agreements with the same related party exceeds £20,000 in a financial year needs prior approval.

Risk register

Whilst most academy trusts maintain a risk register, and this has always been a 'should' best practice requirement, the 2019 AFH has made this a new 'must' requirement. To be effective the risk register should be a working document that is reviewed regularly. This will become increasingly important given the requirement to link the programme of internal scrutiny (see next point) to the risk register and identified risks.

Internal scrutiny

ESFA are increasing the focus on internal scrutiny for 2019/20 and have recently released an internal scrutiny best practice guide which we recommend you read.

The work needs to be directed by the audit committee (or finance committee fulfilling that role) and the programme of work – which should include non-financial areas as well as financial ones – should link clearly from the risk register.

A copy of your most recent internal scrutiny report will need to be submitted this December along with the accounts and year end external audit findings report.

In 2019-20 it will be necessary to submit an 'annual summary' showing the internal scrutiny work that has taken place and the conclusions reached.

Self-assessment tool and checklist

The ESFA have updated the [school resource management self-assessment tool](#) and this must be completed by all academies in 2019-20 and annually thereafter.

It is also a requirement to complete and submit a related checklist by Thursday 14 November 2019. The checklist asks a number of questions of trust boards in six areas of resource management; governance, trust strategy, setting the annual budget, staffing, value for money, and protecting the public purse.

Fraud risk management

Academies are increasingly targeted by fraudsters as cybercrime in general becomes more prevalent.

The ESFA have highlighted resources available to academy trusts to help them minimise this risk. Their [Guide to Reducing Fraud](#) is a document all trustees and finance staff should read and there is specific guidance linked from here on [cyber-crime and security](#).

Statutory policies

DfE [guidance on statutory policies](#) explains clearly the policies academies should have in place in a variety of area, and indicates how often these should be reviewed, and the suggested approval level for each policy.

LGPS employer rates change in April

The LGPS was subject to a full revaluation as at 31 March 2019 and this means a change to the employer contribution rate from 1 April 2020.

We are expected Local Authorities to advise academies of their new rate towards the end of 2019.

TPS pension grant

The cost of increased TPS employer contributions from September 2019 is covered by the Pension Grant until 31 August 2020. The Government has recently indicated that this funding will now continue beyond September 2020.



Appendix V – General Data Protection Regulation outline



Recommendation 5

DATA
SECURITY
iNSPECTOR

DSi Dash

DSi is a trusted provider of specialised services to manage governance and compliance requirements medium-sized enterprises. These services are focused on helping to facilitate a culture of compliance and to foster best practice.

DSi has created DSi Dash, an online platform that provides the tools to capture and manage the risks and processes associated with Data Governance and Data Lifecycles for the GDPR, PECR and other new regulatory requirements, including Credit checking.

Dash includes communications, straightforward input documents and easy form completion, updates for legislative changes, archives and templates for relevant documentation.

Dash Key Features

- Dashboard to manage and advise business owners, data protection officers (DPOs) and end users through the GDPR and other regulatory processes
- Archives to meet compliance criteria – these include Privacy Statements, Templates, Audits and more
- On-demand access to Subject Matter Experts on Privacy and Data Protection
- Data Breach support for Emergency situations
- Anti-Money Laundering and Credit and security checking
- Cost-efficient, manageable Cyber, Privacy and Data Governance services
- Cloud based, hosted in the UK

DSi Support

- DSi will prepare a gap analysis questionnaire for your organisation to establish the state of preparedness for the new requirements for demonstrable Governance over the data, including exposure to GDPR, PECR and Cyber risks.



Appendix VI – Academy ‘At a Glance’

[Academy Name]

'At a Glance' · December 2019 - Template

DRAFT FINANCIAL OVERVIEW 2019/20							
Operating Income & Expenditure - In Year Revenue Surplus / (Deficit)					Reserves - Surplus/(Deficit)		
	Budget £'000	Actual £'000	Var £'000	RAG	Plan £'000	Actual £'000	
YTD	20	18	(2)	G	Closing reserves - 2018/19 accounts	100	
Forecast	40	38	(2)	G	Forecast Operating Income & Expenditure - Surplus / (Deficit)	38	
Expenditure Analysis 2018					Closing Reserves as at 31 August 2020	140	
						138	
£'000	Budget £'000	Actual £'000	Var £'000	RAG	Operating Income & Expenditure - In Year Revenue Surplus/(Deficit) 2019-20		
Pay YTD	333	360	27	A			
Pay Forecast	1000	1030	30	A	Reserves Surplus/(Deficit) 2019-20		
Non Pay YTD	120	119	(1)	G			
Non Pay Forecast	350	360	10	G			
Creditor Balances			RAG Criteria			Notes	
£'000	Actual	RAG	Category	G	A	R	
Creditors	20	G	In Year Revenue Surplus/Deficit - Variance	0-15	16-40	41+	1) Staff costs are over budget due to additional staff required to meet curriculum 2) Cash reserves are ahead of plan due to additional funding than budgeted received from local authority. 3) Non pay is forecast to be overspent by year end due to summer maintenance work required to repair premises
Commitments - (POP)	3	G	Expenditure Analysis - Variance	0-15	16-40	41+	
Total	23	G	Creditor - Balance	0-150	150-250	250+	
			Commitments - Balance	0-15	16-40	41+	

