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Post Audit Management Report

PolyMAT

Year ended 31 August 2020

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Contents

Key Contacts

Hugh Swainson
Engagement Partner

Tel: 020 7556 1389
Email: swainsonh@buzzacott.co.uk

Kunal Mistry
Engagement Manager

Tel: 020 7710 0352
Email: mistryk@buzzacott.co.uk

Buzzacott LLP, 130 Wood Street,
London, EC2V 6DL

Executive summary

Purpose of the external audit

Our work was performed with a view to expressing a reasonable assurance opinion on the financial statements of PolyMAT (the Academy Trust) for the year ended 31 August 2020 and to draw a limited assurance conclusion concerning regularity and propriety in the application of government funding.

Our audit work also included consideration of the internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those that were identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance and/or to the Education and Skills Funding Agency (ESFA) in accordance with their requirements.

We appreciate that you will already be aware of some of the matters contained in this report. However, in accordance with the ESFA's requirements and International Standards on Auditing (UK) (ISAs) we are communicating them to you formally.

This report and its contents were submitted in draft form to Timothy Plumb (CEO), Alexa Rendell (Chief Operations Officer), Kit Grandison (Head of Finance) and Amanda Peters (Finance Manager) for comment prior to finalisation.

Audit progress

We are pleased to report that the timetable for the overall completion of the audit has been met, despite the challenges this year arising from a change in the finance team towards the end of the financial year and those presented as a result of the coronavirus pandemic. Although this had an impact on the efficiency of the audit process, we worked well with management to ensure the Trust's internal and external reporting deadlines were achieved.

We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Amanda Peters.

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Opinions

We have issued the following opinions:

Financial statements opinion:

In our opinion the financial statements give a true and fair view and have been properly prepared in accordance with the Academies Accounts Direction 2019 to 2020 issued by the ESFA and Companies Act requirements.

There is no significant change to the form or content of our audit report. In making this assessment we have also considered compliance with the supplementary bulletin issued by the ESFA in July 2020.

Regularity assurance conclusion:

In the course of our work nothing has come to our attention which suggests that in all material aspects the expenditure disbursed and income received during the year ended 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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Key audit findings

Key audit issues and outcomes

As part of our pre-audit planning process, we identified those areas where we believe there is a higher probability that a material error may appear in the financial statements as well as areas of significant interest or concern for management and those charged with governance. In the pages which follow we have provided a brief summary of the outcome of our audit work in relation to those areas.

Area	Issue and response
Impact of COVID-19	**Risk:** The coronavirus pandemic has presented the Academy Trust a challenge, both operationally and financially. All schools have had periods of closure for many pupils in the year, while being required to continue to provide support to vulnerable children and children of key workers. COVID-19 has had an impact on the Academy Trust's income and expenditure for 2019/20. Although there have been some cost savings on areas, there have been other COVID-19 related costs and an impact on income. **Results:** We have taken account of the impact of COVID-19 on the financial results as part of our analytical work on the Academy Trust's income and expenditure. The notes to the financial statements disclose the financial support scheme funding and furlough income and describes the utilisation of these funds as required by the ESFA's COVID-19 supplementary bulletin. The trustees' report sets out the impact of COVID-19 on the Academy Trust, including the detail set out under the "special note on work during the Covid-19 Lockdown" "achievements and performance" and "financial review" sections of the report. We have reviewed the trustees' report together with the disclosures made by the Academy Trust in connection with COVID-19 and confirm that these have been made in accordance with the ESFA's supplementary bulletin.

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Area	Issue and response
Going concern, financial climate and reserves policy	**Risk:** The current financial climate is challenging for the sector, which is increasing the importance of carefully managing reserves and financial forecasting. The Academies Financial Handbook requires the Academy Trust to prepare a ‘balanced budget’ (which can draw on unspent funds brought forward from previous years). The ESFA further asks to be notified within 14 days where an in-year deficit revenue budget is set (if this cannot be addressed through brought forward reserves). The Academy Trust may feel therefore feel pressure to present a more favourable outturn. **Results:** The results of the Trustees’ assessment of the going concern status of the Academy Trust is provided in both the Trustees’ report and within the principal accounting policies. This confirms that the Trustees have given due consideration to the going concern status of the Academy Trust and that they conclude that the Academy Trust is a going concern (for at least 12 months from the approval of the financial statements). The Trustees will be asked to confirm the same in the written letter of representations to us as auditors. The balance sheet and year end reserves position was considered in conjunction with available budgets/forecasts, our knowledge of the Academy Trust’s future plans and the reserves policy determined by the Trustees. A £nil surplus is expected for the financial year 2020/21, followed by a £304k and £316k surplus for financial years 2021/22 and 2022/23 respectively. At 31 August 2020, the Trust has unrestricted revenue reserves of £505k and restricted revenue reserves (excluding the pension reserve) of £137k. We are satisfied that the Trustees have given due consideration to the going concern status of the Academy Trust and we are in agreement with the conclusion made in light of the evidence provided.

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Area	Issue and response
Woolwich Polytechnic School for Girls	**Risk:** The Academy Trust has recently transitioned from operating as a single academy trust to a multi-academy trust model. With the addition of the Girls' School as part of the Trust, there are a number of additional areas for consideration, including the implementation of trust-wide policies and controls, the implementation of an appropriate basis for charging individual schools to cover the costs of the central service function, the implementation of a reserves management policy, and consideration of how the accounting will be managed at school and trust level. As a new school, there are no inherited assets and liabilities or inherited deficit in the Local Government Pension Scheme. However, the transfer of the school building from the Department of Education to the Academy Trust will need to be accounted for appropriately. Further, consideration needs to be given with respect to whether component accounting can be used whereby different depreciation rates are applied to different parts of the building. **Results:** An appropriate trust-wide delegation of authority, financial procedures and other policies have been established and we have not identified any inconsistent application of these policies. However, these policies are not formally documented into a consolidated financial handbook and as such a **recommendation** has been made at appendix 2. Each school has its own reserve base and this has been described in the Trust's reserves policy. The Academy Trust has set a policy of not allowing reserves to be transferred between schools as the central function provides a significant level of support. A charging structure has been established for central services which is consistent with the approach adopted by other multi-academy trusts operating in the sector. The central charging mechanism is described and quantified in the notes to the financial statements. The calculations for the recharges have been reviewed and appear reasonable. Recharges are mainly based on staff costs which are apportioned by the amount of time spent between the two schools and administrative costs which are split between the two schools by pupil numbers. Please see Appendix 3 for comparison of the Academy Trust's charging policy against other multi-academy trusts. The value at which the Girls' school has been included in the accounts has been agreed to valuation from ESFA at £24,466,000 (including furniture and fittings). The depreciation rates have also been recalculated and appear reasonable with the building being depreciated over 50 years and furniture and fittings over 5 years, which is in line with the Trust's policy. We have highlighted one **recommendation** at appendix 2 regarding the absence of a fully itemised asset register for furniture and fittings at the Girls' school.

Area	Issue and response
Expansion of the Trust	**Risk:** The Academy Trust has been in discussions with a local sixth form college to join the Trust. If this occurs prior to the end of the financial year, the financial statements will need to include the net assets inherited on transfer, including the deficit in the Local Government Pension Scheme and the value of the college buildings. If the college does not join until post-year end, a post balance sheet event disclosure will be required in the notes to the financial statements. **Results***:* No decision has been made on whether the sixth form college will join the Trust following discussions with management during the audit and as such no further reference or disclosure regarding this matter has been made in the financial statements.
Income recognition	**Risk:** 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 or at artificially inflated or suppressed amounts. We understand that the Girls' school has not met its capacity for the first year and as a result there is a risk that funding from the ESFA will be clawed back. **Results:** We carried out detailed analytical review against expectations based on our understanding of the Academy Trust and against the prior year. Reasonable explanations were obtained from management and significant variances were substantiated as appropriate. No significant issues arose during our audit testing and sample based checks including on our work on ESFA and non-ESFA income. At the planning stage we identified a risk in regard to clawback of GAG funds due to a shortfall in pupil numbers at the Girls School. The clawback of GAG funds was as a result of lower than planning pupil numbers and was confirmed prior to the year end. Consequently income has been reduced by £39,205 with a year end creditor shown for this abatement of GAG.
Aggregation risk	**Risk:** There is a risk that the aggregation process for the multi-academy trust is not accurate. Journals that are processed as part of the accounts preparation may not fully identify intra-school transactions and balances. As a result debtors, creditors, income and expenditure may potentially be misstated as a result within the aggregated figures. **Results:** We have reviewed the accuracy of the consolidation workings including the reconciliation of intra-Academy Trust and inter-group balances, ensuring transactions between individual schools, the central office are eliminated, and the appropriateness of other year end consolidation journals. No concerns were noted.

Area	Issue and response
School reserves balance	**Risk:** There is a requirement for multi-academy trusts to disclose the level of reserves maintained at each constituent school within their financial statements. There is a risk that this may be done inaccurately owing to inconsistent record keeping or deliberately manipulation in order to disguise cumulative losses within a specific school. Differences may also arise as a consequence of cash transfers made in response to reserve management practices not being reflected on the ledger. **Results:** We have assessed the closing reserves position at individual school level for reasonableness in light of the school's opening reserves and financial performance for the year and do not have any concerns of how these are presented.
Fund accounting	**Risk:** Details of any restricted revenue funds as well as capital funds are reported within the notes to the financial statements. There is a risk that any unspent capital funds are not correctly captured within the fixed asset fund or that other restricted funds (e.g. Pupil Premium) are not correctly identified and reported within restricted revenue funds. If these restricted funds are not correctly reported, there is a risk that the Academy Trust's free reserves are therefore also not correctly reported and as a result the trustees could make decisions based on incorrect information about available funds. **Results:** The Academy Trust had £330,000 of unspent capital funds as at 31 August 2020 and therefore the amount held within the fixed asset fund is greater than the net book value of tangible fixed assets by this amount. This is made up of £390,000 of funds ring-fenced for future capital works and £60,000 of ESFA loan funding which is included in creditors. Restricted revenue funds including ESFA GAG funding are shown within the notes to the financial statements. As part of the responses to our regularity questionnaire, the Academy Trust has detailed how the use of restricted funds has been monitored. We have reviewed the unspent restricted funds detailed within the financial statements and confirmed that amounts are consistent with the underlying financial records of the Academy Trust.

Area	Issue and response
Capital project	**Risk:** PolyMAT has finalised the construction of the roof at the Boys' school during the year ending 31 August 2020. The majority of the costs were incurred in the previous financial year with the final tranche of £206k being made in the current year. Given the significant financial value, it is important that the costs are correctly capitalised or expensed as appropriate. Part of the funding for the new roof has been made via a Salix loan and the accounting treatment of this will need to be considered in line with the terms of the loan. **Results:** The final payments due for the roof works were made in the year with the project costing a total of £822,000, of which £623,000 was held as an asset under construction in the prior year. We have reviewed the amounts expended in relation to the project and sample checked expenditure to gain assurance over the accounting treatment. The amounts sample checked were considered capital in nature and the treatment was deemed appropriate. The treatment of the Salix loan has also been reviewed and its inclusion within creditors falling due within one year and more than one year is appropriate. The Trust also commenced a new project in the year to replace boilers at the Boys' school and costs of £68,000 have been capitalised to date, with the balance of £409,000 of the £477,000 project being disclosed as a capital commitment in note 24 to the financial statements. As part of our work on assets, we also reviewed the repairs and maintenance expenditure for the year to identify potential costs expended on the projects which may have been incorrectly written off. This review did not reveal any additional costs which should have been capitalised.

Area	Issue and response
Regularity	**Risk:** Regularity and the use of government funding continues to be a substantial focus of the ESFA and National Audit Office. Ensuring regularity within the Academy Trust is the responsibility of the Board and all of the current focus on regularity in the academy sector has only increased the level of responsibility for the Board to monitor and document management of risk including risk of irregularity. ESFA expects all academies to implement appropriate procedures and policies at all times, including during periods of school closure, which mitigate the risk of irregularity in (but not limited to) the following areas: • Procedures and policies in relation to risk management and ensuring that these are regularly considered; • Procedures and policies in relation to general procurement, use of credit cards and expense claims; • Procedures and policies in relation to the appropriate remuneration of payroll staff, agency staff and consultants; and • Procedures and policies in relation to the management of conflicts of interest and related party transactions. **Results:** The regularity self-assessment was provided for audit, which was completed by the Academy Trust's finance team and reviewed by the Accounting Officer. The regularity self-assessment confirms the processes in place to ensure regularity, propriety and compliance within the Academy Trust in relation to the above areas and the other requirements set out in the Academies Financial Handbook. The Academy Trust has not informed us of any material control weakness or irregularity. Based on our review of the self-assessment questionnaire, 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 do not have any significant concerns.

Area	Issue and response
Related party transactions	**Risk:** In all organisations, there is an inherent risk that transactions with related parties could be undertaken on terms that benefit those who control the entity at the expense of other stakeholders or the entity itself. For this reason, UK Accounting Standards and the ESFA Academies Accounts Direction requires transparent disclosure of all transactions and balances arising between the Academy Trust and its related parties. In addition, the ESFA Academies Handbook places restrictions on the permissibility of certain related party transactions. **Results:** The Academy Trust's procedures for identifying related parties and associated transactions were reviewed. This includes the requirement for each of the Trustees and member of the Academy Trust Senior Management Team to update their declaration of interests annually, and to declare any interests they have at the commencement of business meetings. Based on the work undertaken, we have no concerns over the completeness of related party transaction disclosures. We will obtain written representations from you also, asking the Board and management to confirm their satisfaction with the completeness of the disclosures made.
Management override of controls	**Risk:** There is an inherent risk in all organisations that management may be in a position to override controls or agreed protocol. Such actions may be taken in order to conceal or process unauthorised or inappropriate transactions, or may occur due to weaknesses in the control environment. Such actions could lead to either deliberate or inadvertent misstatement of the results portrayed by the financial statements. **Results:** Journal entries were reviewed, particularly those surrounding the year end and explanations were sought for any large or unusual items. All items tested and discussed with management were deemed appropriate. The activity passing through the suspense account also appeared reasonable and did not raise any additional concern.

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Area	Issue and response
Accounting estimates	**Risk:** Certain accounting entries within the financial statements are made on the basis of an estimate and changes in the underlying assumptions could lead to a shift in the reported results. The most material estimates within the Academy Trust's financial statements include the estimate of the useful economic life of tangible fixed assets (and hence the depreciation charges), and the estimation of the pension liability made by the actuaries in respect to the Local Government Pension Scheme. **Results:** We are satisfied with the estimation techniques utilised. Testing of depreciation was satisfactory with all items tested being depreciated in accordance at the approved rate. The year-end liability in respect of the Local Government Pension Scheme is consistent with the estimate provided by the scheme's actuary and the assumptions used appear reasonable.

Accounts format and compliance

The financial statements follow the principles and format prescribed by the ESFA in the Academies Accounts Direction 2019 to 2020 (the Accounts Direction) and the supplementary coronavirus bulletin. Compliance with the Accounts Direction also ensures that the requirements of companies and charities legislation are met. There have been only a small number of changes introduced by the 2019/20 revision of the Accounts Direction. The notable changes of relevance to the Academy Trust were as follows:

- **Governance statement:** Within the value for money statement, academy trusts should consider the impact of the procurement policy notes (PPN) issued in March, April and June 2020 when considering their value for money review in the governance statements, explaining any situations where COVID-19 has adversely impacted on value for money. Also within the governance statement, academy trusts are required to explain how their audit arrangements are affected by the newly revised FRC Ethical Standard, specifically those points in relation to internal scrutiny.

- **Impact of coronavirus:** Additional disclosure is required within the Trustees' report under several sections of the report, including activities during the year, financial review, use of volunteers, fundraising, the impact on staff and beneficiaries, financial and operational effects, reserves policy and future plans. Funds received and utilised specifically in relation to COVID-19 are also shown separately within the notes to the financial statements.

- **Statement of cash flows:** The changes in cash and cash equivalents is now shown as changes in net debt.

- **Support costs note:** Legal costs are now shown separately and split by type of legal costs.

- **Pensions note:** The narrative in relation to the Teachers' Pension Scheme has been updated to reflect the impact of the most recent valuation of the scheme.

In all respects, the Academy Trust's annual report and financial statements have complied with the new requirements.

Accounting policies, estimates, and disclosures

Our work included a review of the adequacy of disclosures included in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Academy Trust. We believe that the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the Academy Trust and in compliance with the Accounts Direction.

With the addition of the Girls' school, a number of additional notes have been included in the financial statements for the first time:

1. Central services (note 10);
2. Analysis of expenditure by school (note 18); and
3. Analysis of funds by school (note 18).

A policy for accounting for donated fixed assets has also been included to explain how the new school building is treated in the financial statements.

As the Trust grows, the Annual Report and Financial Statements in the future may need additional disclosure if large company thresholds are breached (i.e. if the Trust meets two of the following three criteria for two consecutive years: gross annual income over £36m, gross assets over £18m and more than 250 employees). One such disclosure is around carbon reporting and energy use, and we will work with management to flag any additional disclosures that may be relevant in the 2021 (and beyond) accounts over the coming year.

Audit adjustments and unadjusted misstatements

Under Auditing Standards, we are required to provide you with details of any adjustments identified during the course of our audit work which have been made to the figures presented to us for audit.

Audit adjustments

Details of the adjustments which have been made to the figures presented to us for audit are provided at Appendix 1. These have all been discussed and agreed with Amanda Peters. We will obtain written representations from you, as Trustees, that you concur with these adjustments.

Unadjusted misstatements

Other than clearly trivial misstatements, all misstatements identified during our audit have been adjusted.

Materiality

Materiality threshold £139,000 Reporting threshold: £6,950

You will note that our report refers to 'material misstatement'; materiality refers to the relative significance of a particular matter in the context of the financial statements as a whole. An item would be considered material if its omission or its erroneous inclusion would reasonably influence the decisions of those using the financial statements.

We are required to report corrected audit misstatements, and uncorrected audit misstatements in excess of our reporting threshold which is set at 5% of overall materiality.

Our materiality threshold is typically based on an average of 1% of operational income and 1% of operational expenditure. A lower level of materiality may be selected for specific areas of the financial statements. For many disclosure items however, materiality is an absolute and not a relative concept. This specifically applies to transactions and other financial arrangements with Trustees and their connected persons, which would usually be considered material regardless of relative value.

When considering the impact of misstatements discovered during the course of our audit and considering the implications for our report of such misstatements, we will refer to this level amongst other things. Whether a misstatement is 'material' or not is ultimately down to the auditor's judgement.

Audit observations and recommendations

We are pleased to report that we found no significant deficiencies in the accounting and internal control systems during our audit.

The table below provides a summary of any observations made concerning weaknesses in the Academy Trust's accounting and internal control systems including those identified as part of the work performed to provide a conclusion on the regularity of the Academy Trust's transactions within the accounting period.

Observations included in the "A" grade (red) banding indicate that, in our opinion, there is a risk of significant financial impact on the business that must be addressed immediately.

"B" grade (orange) banding recommendations relate to those issues where there is a risk of moderate financial impact on the business, such as a control failure or the absence of a control in an area of moderate risk. These items should be addressed shortly.

Observations included in the "C" grade (yellow) banding indicates that the matter, although important, does not warrant urgent attention and should be addressed within an agreed timeframe.

Priority	No of points	Relating to
B	3	• Fixed asset register • Financial handbook • Charge card holders

Further details in respect of the observations made and our associated recommendations are provided at Appendix 2 to this report. We are, however, pleased to report that the observation made last year in respect of the format of management counts has been satisfactorily dealt with.

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Financial performance and position

Audited results

The results reported within an academy trust set of financial statements include a number of non-cash movements including Local Government Pension Scheme adjustments and depreciation charges, which do not usually appear within the management accounts. The analysis below shows the financial performance reported in the financial statements excluding these items so that the results can be more easily related to figures that are being reported in-year. Excluding movements on tangible fixed assets, the defined benefit pension liability, and other non-recurring items, the Academy Trust's "operational" surplus for the year was £147,000 (2019: £2,000), as reconciled below.

	2020 £'000	2019 £'000
Overall net movement in funds	23,831	(1075)
Less: net income attributable to the fixed assets fund (note 1)	(23,590)	75
Add: LGPS actuarial loss (note 2)	179	713
Add: LGPS service cost adjustment (note 2)	377	342
Add: LGPS interest cost adjustment (note 2)	80	80
Operational surplus for the year excluding fixed asset purchases	877	137
Less: fixed asset purchases from revenue funds (note 3)	(730)	(135)
Operational surplus for the year	147	2

	2020 £'000	2019 £'000
Reconciliation of revenue reserves		
Revenue reserves brought forward (note 4)	495	493
Operational surplus for the year (as referred to above)	147	2
Revenue reserves carried forward	642	495

Note 1: Movement on fixed assets fund

For the purposes of determining the "operational" surplus, the net income in respect of the fixed assets fund has been disregarded on the basis that the principal movements within this fund relate to capital funding received and the depreciation applied on assets purchased from such funds, and therefore are not in relation to the day-to-day operation of the Academy Trust. This is made up predominantly of the transfer in of the Girls' School in September 2019.

Note 2: LGPS (Local Government Pension Scheme) adjustments

The Academy Trust is one of several employing bodies included within the London Borough of Greenwich Pension Fund. The scheme's actuaries, Barnett Waddingham, have prepared a valuation of the assets and liabilities which are specific to **Error! Reference source not found.** so that the net liability may be included on the balance sheet. For the purposes of determining the "operational" surplus, the non-cash adjustments necessary in accounting for the change in the liability since 1 September 2019 have been excluded.

Note 3: Fixed asset purchases from the revenue fund

The purchase of fixed assets from revenue operational funds is shown in the accounts as a transfer from restricted general funds to the restricted fixed asset fund. This additional investment in fixed assets is in addition to the restricted capital funding that the Academy Trust received.

Note 4: Revenue reserves

The revenue reserves of the Academy Trust exclude the tangible fixed asset fund and Local Government Pension Scheme reserve. The revenue reserves therefore represent the funds available for the day-to-day operation of the Academy Trust.

Comparison of key financial ratios

For your information, we have included at Appendix 3 to this report a comparison of the Academy Trust's key financial ratios for 2018, 2019 and 2020 and also against the sector averages for 2018 and 2019.

Note that the ratios presented in the Appendix may differ from your own ratios where a slightly different formula is used. In addition, the sector averages are drawn from data on approximately 100 academies based in the South East of England and Greater London and whilst they may provide a guide as to how the Academy Trust compares to the sector, there is a substantial amount of diversity across the sector depending on the individual circumstances of each academy.

Other information

Letter of representations

We take this opportunity to enclose a final draft of the letter of representations which we will ask the Trustees to sign at the same time as the approval and signature of the annual report and financial statements.

Integrity, objectivity and independence

In accordance with our profession's ethical guidance and further to the External Audit Strategy document issued to you as part of the pre-audit planning process, we confirm that there are no further matters to bring to your attention in relation to our integrity, objectivity and independence as auditors.

Revision to the going concern auditing standard

The revised UK auditing standard for Going Concern (ISA 570) was published by the Financial Reporting Council (FRC) in September 2019 and is applicable for accounting periods commencing on or after 15 December 2019, and will therefore impact the year ending 31 August 2021. We have not early adopted for the period ended 31 August 2020.

The standard enhances the level of scrutiny that auditors are required to apply when assessing the Trustees' assessment of going concern.

The key changes are detailed below:

Auditor's report

- Auditors are now required to provide a positive statement to confirm that the Trustees' use of the going concern basis is appropriate and that material uncertainty with respect to going concern has not been identified.

Audit procedures

- Additional risk assessment procedures are required. This includes assessment over internal control processes with respect to going concern.

- In instances where events or conditions which may cast significant doubt on the ability to continue as a going concern are not disclosed, additional audit procedures are required to determine why these events were not disclosed and perform additional evaluation on the going concern assessment in light of these events.

- Auditors are required to perform detailed substantive procedures each year with a focus on going concern. Previously, such testing was only required if no events or conditions had been identified that cast significant doubt on the entity's going concern status.

- There is now a requirement for material uncertainties to be reported to regulatory authorities.

Academy processes

In light of these changes, we recommend that the Academy Trust review their existing processes in these areas over the course of the next year to ensure that appropriate information will be available for the audit in the year ending 31 August 2021. This includes:

- Documenting processes in place to ensure that the going concern status is regularly monitored by Trustees and that this is formally documented at the year end and in advance of signature of the financial statements.

- Considering the need to increase the level of scrutiny of budgets, in particular sensitivity of key areas such as GAG income, staff costs or capital expenditure, to downside scenarios such as a reduction in pupil numbers or government support, changes to pension contribution rates or project overruns.

- Reviewing forecasting performed within the Trust to ensure that reports which assist in making this assessment (such as budgets, management reports and cash flow forecasts) are accurate.

Other work undertaken as part of the 2019/20 audit cycle

As set out in our External Audit Strategy to you we have also been engaged to provide you with the following services:

- **Teachers' Pension End of Year Certificate (EOYC) assurance**
  We can confirm that we have concluded our work on this area. Our assurance report was issued to Teachers' Pensions along with the final End of Year Certificate. Our work did not raise any significant concerns which need to be drawn to your attention.

- **Internal scrutiny**
  During the year, internal assurance was carried out on one area of the Trust – internal controls. A separate report has been issued to the Trust on the assurance engagement and a summary report has been prepared in line with the requirements of the Academies Financial Handbook which will need to be submitted to the ESFA by 31 January 2021.

- **Grant assurance (Annex G certification)**
  Annex G certificates were required in respect to School Direct (Salaried) and the Trust Capacity Fund income received from the Department for Education. We can confirm that we are close to concluding our work on these reports and will be issuing our reports to the funders ahead of the 31 December 2020 deadline.

- **ESFA Accounts Return assurance**
  Our work on the Accounts Return assurance will begin in December. We do not have any concerns at this stage and we will work with management to ensure that the Accounts Return together with our assurance report is filed ahead of the 23 February 2020 deadline.

Use of this report

This report has been prepared for your private use only. It has been prepared on the understanding that it will not be shared with any third party, other than the ESFA, without our prior written consent and we can therefore assume no responsibility to any other party. The advice contained herein is based on the information you have provided and UK law and judicial and administrative interpretation as of the date of this report. Should the facts provided to us be incorrect or incomplete or should they change, our advice may be inappropriate. Buzzacott LLP accepts no liability for losses arising from changes in UK law, interpretation or practice or in public policy that are first published after the date of this report.

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Date: 17.12.2020

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Appendix 1: Audit adjustments

		Statement of financial activities		Balance sheet	
	Description	Debits (£'000s)	Credits (£'000s)	Debits (£'000s)	Credits (£'000s)
1	DR income	26			
	CR accrued income				26
	Being reduction of the trade debtor balance to avoid double counting.				
2	DR audit expense	8			
	CR accruals				8
	Being recognition of the remaining audit fee for 19/20.				
3	DR loans due after one year			13	
	CR loan expense		13		
	Being reduction of the long term loan to avoid double counting.				
4	DR accrued income			13	
	CR funding body income		13		
	DR other creditors			7	
	CR Funding body income		7		
	Being recognition of the July and August girls' school pupil premium.				
5	DR accruals			206	
	CR taxation and social security				206
	Being the correct presentation of the pension creditor				

6	DR accruals	16	
	CR trade creditors		16
	Being the correct presentation of an invoice received pre-year end		

The above adjustments decreased the Academy Trust's overall reserve balances by £1,000.

Appendix 2: Audit observations and recommendations

	Observation and Implication	Recommendation	Management comment
B	**Fixed asset register**		
	There is currently no itemised fixed asset register for £507k of the £1,162k fit out of the girls' school which could result in the Trust not being aware of what assets it has on-site. Similarly a detailed list of IT assets within the Girls' school is currently not available.	If a detailed list of items is not held, it would be difficult for the Trust to identify any items which are misplaced or stolen which could have an impact on any insurance claims made in the future (e.g. following a fire or flood). We therefore **recommend** that the Trust works with the Department for Education to collate a comprehensive asset list that can be reconciled to the capitalised cost in the Trust's accounts.	Recommendation agreed, IT asset register and asset tagging is underway. **Person responsible:** Alexa Rendell **Date for implementation:** 31 January 2021.
	Further we noted that the Trust's current asset register does not indicate the source of funds used to purchase any given asset which could lead to funds not being accurately presented.	We **recommend** the Trust reviews the asset register to include details of funding, which will enable better analysis of the various categories in the fixed asset fund.	Recommendation agreed. **Person responsible:** Amanda Peters **Date for implementation:** 31 December 2020
B	**Financial handbook**		
	Since the Girls' school has joined the Trust, the Trust financial handbook has not been updated posing a risk that the trust-wide policies implemented are not known to all members of staff.	The most recent iteration of the handbook is dated July 2019 and we **recommend** that this is updated on an annual basis, and circulated to all relevant staff members at the same intervals.	Recommendation agreed. **Person responsible:** Amanda Peters **Date for implementation:** 31 March 2021

	Observation and Implication	Recommendation	Management comment
B	**Charge card holders**		
	During our testing on charge cards, we identified that a July 2020 statement was still under the name of the previous finance manager (Kellie Dalton), who left the Trust in early 2020.	Although the charge cards are not user-specific, we **recommend** the Trust updates the information on the charge cards to a current staff member to ensure that any correspondence is dealt with in the most efficient manner.	Recommendation agreed. This had been recognised, due to a change in personnel in the Finance Team a number of authorisations need to be updated. The new Head of Finance is in the process of making these changes. **Person responsible:** Amanda Peters **Date for implementation:** 31 December 2021

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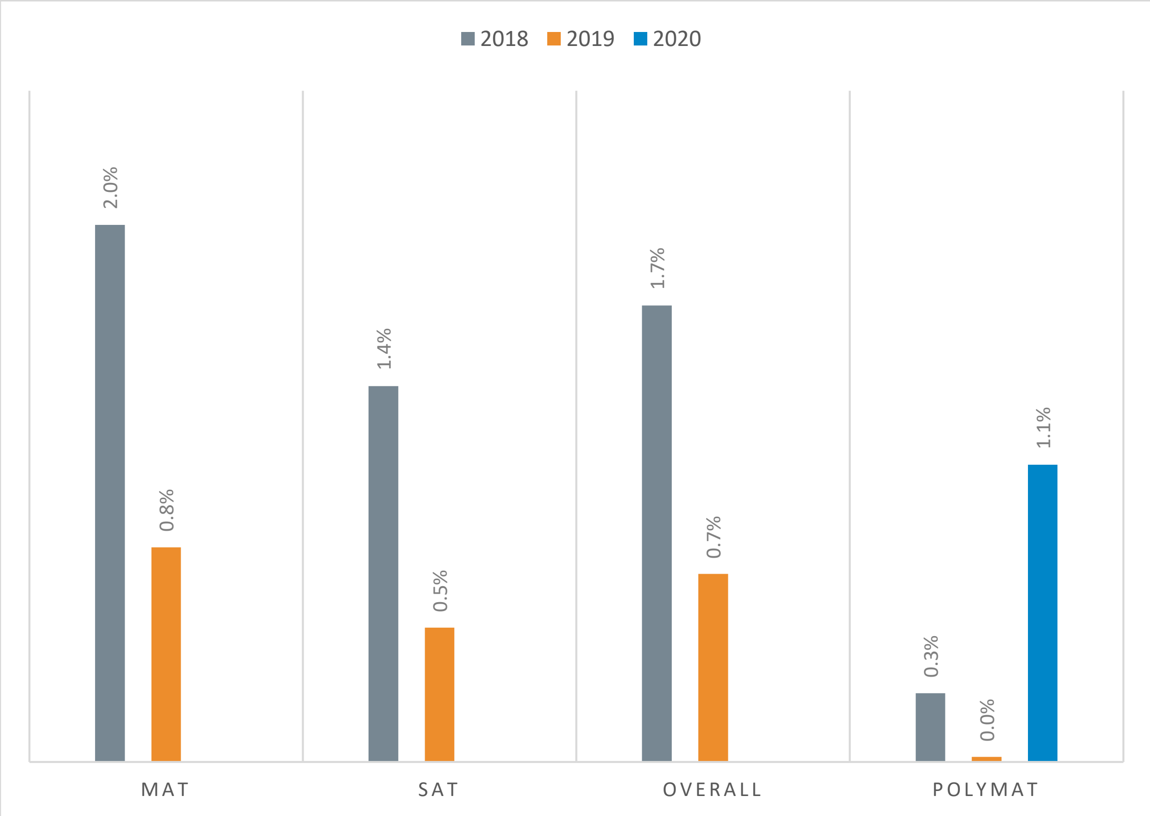
Appendix 3: Comparison of financial ratios

Operational margin



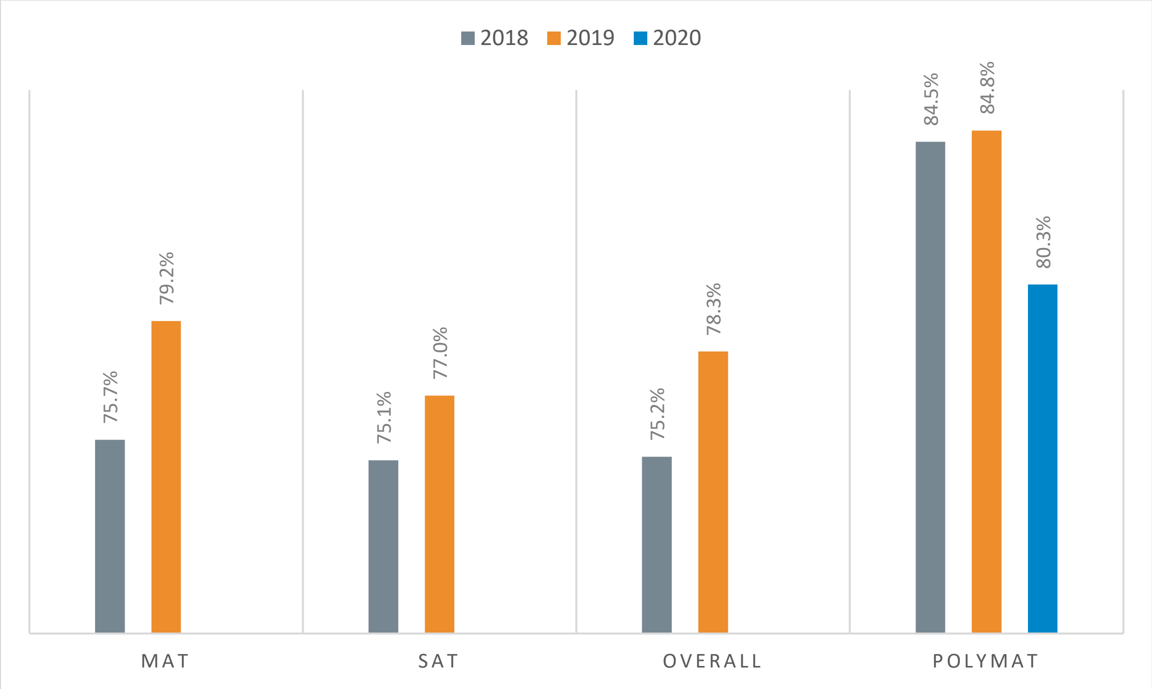
Formula: Surplus (deficit) for the year excluding fixed asset fund, LGPS adjustments and amounts donated on conversion ÷ Total income excluding fixed asset fund income and amounts donated on conversion.

The aim of an academy trust is not to generate profits on trading or capital gains, but to provide quality education and fully utilise its resources in so doing.

The most significant factor on the operations margin of trusts is payroll, the largest of a trust's costs. Though schools set their teachers' pay, these are determined by national pay scales, which along with employer pension and national insurance contributions are not within the control of an academy trust.

This impact of increasing payroll costs (as shown in the following graph) was a reduction in the average operating margin between 2018 and 2019.

Payroll as a % of operational income



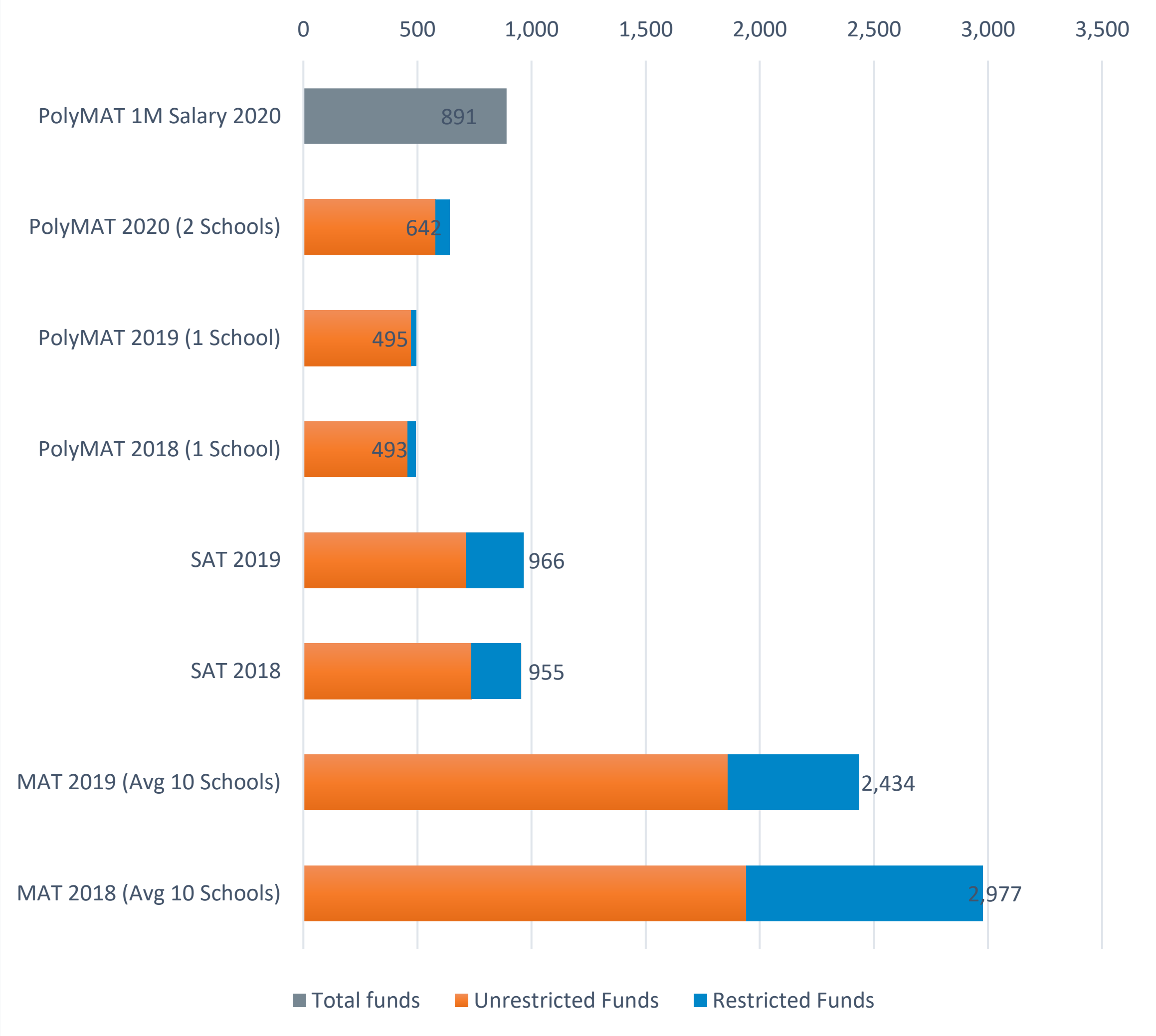
Formula: Total payroll costs (including defined benefit pension scheme adjustments and agency costs, but excluding severance payments) ÷ Total income (excluding capital grants, conversion balances, sponsorship and start up grants)

Staff costs represent the most significant area of expenditure for all academies and are viewed by third parties as a critical indicator of financial and operational efficiency. Typically, staff costs make up 65% - 80% of both total costs and total income. As an average, across most Academy Trust we have seen an increase in payroll costs. In 2019, the average ratio excluding defined benefit pension scheme adjustments was 76.3% for a MAT and 74.3% for a SAT (75.4% overall).

Using the data for 2018/19, we also considered the average number of higher paid employees per school (i.e. those earning in excess of £60,000 per annum) by type of academy trust.

Type of Trust	Average no. HPEs per school
Large MAT (15+ schools)	4.9
Medium MAT (5-14 schools)	3.4
Small MAT (2-4 schools)	5.2
Secondary	10.0
Primary	2.8

Reserves

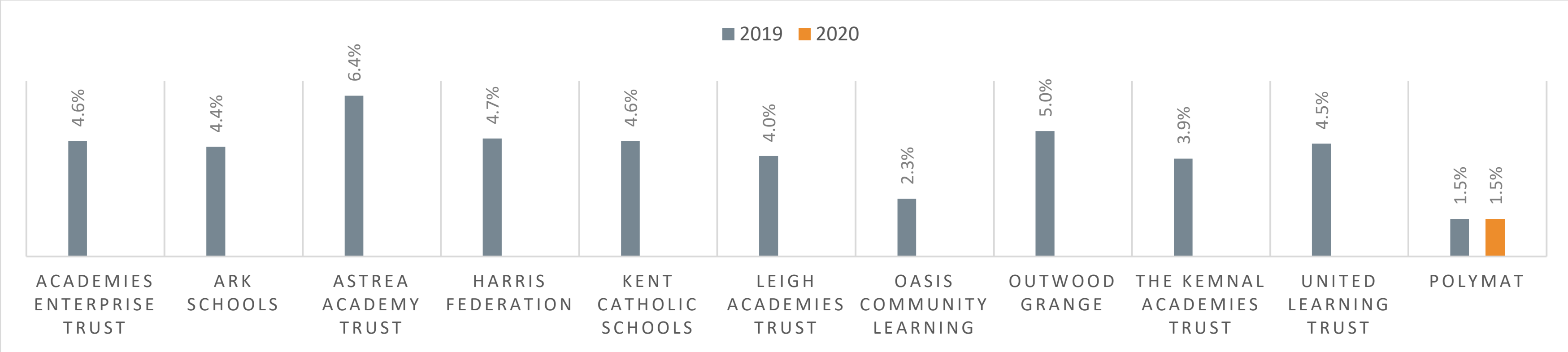


The graph to the left shows the split of the Academy Trust's reserves between unrestricted funds (including designated funds) and restricted funds (excluding the fixed assets fund and pension reserve).

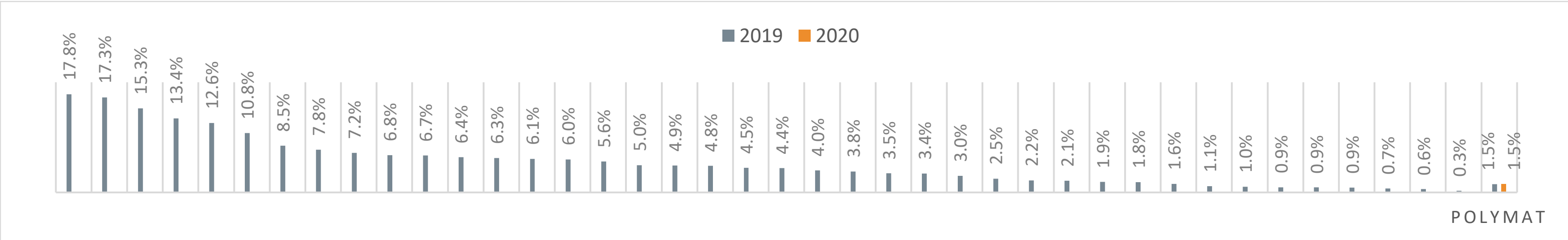
The government recommend that the amount an academy trust set aside is based on the type and size of the academy trust as well as the particular risks that it faces (for instance, if they are locked into a PFI contract). They encourage academy trusts to ensure that they keep at least one-month's salary cost as a revenue reserve.

When considering a reserves policy, academy trusts should consider wider financial risks and future plans to determine the appropriate level of reserves in the academy trust's own context. MATs should also consider how the reserves policy applied across constituent schools and to what extent risk can be spread across the trust.

Central service charge (as a percentage of total income)



Over the last few years, the number of academies forming or joining Multi Academy Trusts (MATs) has increased due to the benefits that the MAT structure offers. As part of a MAT, individual academies can receive extra support (on educational and non-educational matters) and achieve economies of scale. The sharing of services (such as human resources, financial services, premises, PR and marketing, to name a few) means that smaller academies can benefit from the expertise and skills of a larger organisation. The most common method of financing a MAT is "top-slicing" whereby each academy within the MAT will contribute a portion of its income to cover the costs of the shared central services. The chart above shows the average charge applied by larger multi-academy trusts – those operating more than 20 schools.



The second chart shows the larger degree of variation in top-slice charges made by MATs operating fewer than 20 schools.

LGPS liability as a percentage of GAG income

As for all academy trusts, PolyMAT**Error! Reference source not found.**'s support staff are eligible to participate in a relevant Local Government Pension Scheme, a multi-employer defined benefit scheme. In accordance with the requirements of the reporting standards, the Academy Trust has included its share of the liability in the scheme on its balance sheet, as estimated by the scheme actuary. As slight changes in the actuarial assumptions used can have a substantial impact on the overall net pension liability, we have provided in the table below a comparison of the Academy Trust's 2019/20 LGPS retirement benefit assumptions against those of other educational organisations.

	Sector Average %	PolyMAT %
Assumptions		
Price increases	2.2	2.3
Salary increases	3.0	3.3
Pension increases	2.2	2.3
Discount rate	1.7	1.6
Increase in LGPS liability from 01/09/19 to 31/08/20	13.8	15.0
Value of LGPS liability at 31 August 2020	N/A	4,883,000
LGPS liability as a percentage of GAG income	45.1	41.7

Appendix 4: Performance Assessment

Following the introduction of the Academies Financial Handbook 2020, the audit committee (or equivalent) is expected to produce an annual report to the Board/Members on its activities during the year including the appraisal of the external auditors. To assist the audit committee in their annual appraisal of the external auditor, we have assessed our performance against the following ESFA performance indicators:

Performance Indicator	Target	Result
An external audit plan to be produced for consideration by the Trustees in advance of the external audit addressing the key risks specific to the Academy Trust	100% Delivery	Achieved
To ensure consistency within the audit team at partner and manager level	Only periodic rotation of personnel	Achieved
Annual audit to be performed in line with agreed timetables	100% Delivery	Achieved
Post Audit Report to be produced detailing audit findings for consideration by the Trustees with comments and recommendations discussed with management in advance of this meeting	100% Delivery	Achieved
Buzzacott attendance at Finance Committee meetings	Attendance at all relevant meetings	Achieved
Audit of the financial statements to be performed in accordance with the Academies Accounts Direction 2019 to 2020 issued by the ESFA and Companies Act requirements	To conform to standards	Achieved

Appendix 5: Sector developments

Coronavirus

The Department for Education (DfE) continues to publish guidance about COVID-19 in educational settings for staff, parents and carers, pupils and students online.

The guidance is available at https://www.gov.uk/government/collections/coronavirus-covid-19-guidance-for-schools-and-other-educational-settings and includes information on topics such as:

- educational provision for vulnerable children and children of key workers;
- the closure of educational settings;
- free school meals arrangements;
- the cancellation of GCSEs, AS and A levels;
- travel guidance for educational settings;
- social distancing in education and childcare settings;
- financial support for schools;
- online education resources;
- school and college performance measures; and
- school admission appeals.

Additional information is also available through the Buzzacott website at https://www.buzzacott.co.uk/news/responding-to-the-impact-of-covid-19 Details are provided on a range of best practice and how to access available support, including:

- accessing support through the Coronavirus Job Retention Scheme;
- employment updates;
- regulatory and governance updates.

The situation continues to evolve and relevant information will also be shared through our email distribution lists. We also recommend that the Trust reviews the weekly ESFA update for academy trusts which is published at https://www.gov.uk/government/collections/esfa-update .

Compliance

Compliance deadlines during 2020 and 2021

On 26 August, Eileen Milner, the ESFA's Chief Executive, wrote to all accounting officers to explain that the deadlines for the submission of various statutory documents and returns by academy trusts were each being extended by approximately one month as a result of the challenges presented by the ongoing Coronavirus pandemic. These submissions include the audited statutory financial statements (including the management letter and internal scrutiny annual summary), annual accounts return (AAR), completed Land and Buildings Collection Tool, Budget Forecast Return Outturn (BFRO) and

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Budget Forecast Return Three-Year (BFR3Y). The letter encourages Trusts to aim for the usual deadline and explains that the normal deadlines will be restored for the year ended 31 August 2021. The full letter is available here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911960/ESFA_letter_to_academy_trust_accounting_officers_august_2020.pdf

Academies Financial Handbook 2020

The ESFA published the latest update to the Academies Financial Handbook (AFH 2020) on 23 June 2020. All Academy Trusts must comply with the handbook as part of the conditions of their funding agreements. The major changes in AFH 2020 relate to:

- **Audit Committee:** References throughout the AFH to the 'audit committee' of a trust are replaced in AFH 2020 by the 'audit and risk committee'. There is a new requirement for this Committee to produce an annual report of their conclusions for the board of trustees and members, including recommendations on the reappointment or dismissal or retendering of the external auditor, and their remuneration.
- **Internal scrutiny:** A raft of clarifications are included in respect of risk management and the responsibilities of the Board and the 'audit and risk committee' (previously the 'audit committee'). The audit and risk committee must: direct the trust's programme of internal scrutiny, ensure that risks are being addressed appropriately through internal scrutiny and report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks.
- **Revised FRC Ethical standard for auditors and impact on internal scrutiny:** AFH 2020 removes the option for internal audit to be performed by the external auditor, as expected and in line with the FRC Ethical Standard and Accounts Direction. It does note transitional arrangements in the Standard which permit existing audit engagements at 15 March 2020 to conclude. The Handbook clarifies that the term 'internal scrutiny' should be viewed in the same as the term 'internal audit'
- **Clerking:** The AFH 2020 makes the appointment of a clerk a '<u>must</u>' requirement as opposed to a '<u>should</u>' requirement, meaning that all trusts must now have appointed a clerk.
- **Chief Financial Officers (CFOs):** The AFH 2020 clarifies that the CFO must be appropriately qualified. It introduces the new requirement that **t**rusts must assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and

complexity of financial operations. The Handbook encourages larger trusts (defined as having over 3,000 pupils) to consider the range of accountancy qualifications available from professional bodies such as the ICAEW, ACCA, CIMA or CIPFA and take this into account when filling CFO vacancies. There is also a new clarification that CFOs should maintain continuing professional development and undertake relevant ongoing training.

- **Executive pay:** New requirement that the trust must publish on its website the number of employees whose benefits exceeded £100k, in £10k bandings, as an extract from the disclosure in its financial statements. In the case of employees who are trustees, this would be in bands of £5k.

- **Data Collection:** The new requirement that trusts complete the school resource management self-assessment tool using the ESFA's online form is reinforced in the AFH2020.

The full list of changes in AFH 2020 can be found on page 9 of the document, which is available in pdf format here: https://www.gov.uk/guidance/academies-financial-handbook/academies-financial-handbook-2020-to-print

Financial management good practice guides

In March 2019, the ESFA began publishing a series of short "good practice" guides to assist academy trusts in topical areas of financial management. In addition to updating the ten guides initially published during 2019/20 for ongoing developments, the ESFA has published a new guide during 2019/20 on Streamlined Energy and Carbon Reporting (SECR) for Trusts which qualify as large companies.

The ESFA's good practice guides can be found here: https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides

Academy Accounts Direction 2020/21

The Academy Accounts Direction (AAD) 2020/21 is likely to be published early in 2021. As a result of the Coronavirus pandemic, a number of more significant changes to the statutory reporting requirements which were planned for the 2019/20 AAD have been delayed until 2020/21.

Keeping Children Safe in Education update

On 17 June 2020, the Government published the latest iteration of the Keeping Children Safe in Education (KCSIE) guidance, applicable from 1 September 2020.

As in previous versions, the guidance notes that safeguarding is the responsibility of everybody who comes into contact with children and all staff at academy trusts must therefore read Section 1 of the document at the very least.

In addition to general clarifications, the main changes relate to:

- Statutory changes, for example the inclusion of requirements regarding mandatory Relationship Education, Relationship and Sex Education and Health Education from September 2020.
- Clarifications regarding the importance of mental health (in addition to physical wellbeing) in relation to safeguarding.
- Additional information regarding behaviours which may indicate that an individual is not suitable to work with children, specifically in relation to situation where such individuals have been involved in incidents which do not involve children but could indicate that they would exhibit similarly inappropriate reactions if working with children in schools.
- Further clarifications relating to domestic abuse, including information on how witnessing or suffering domestic abuse can impact children.
- A link to the non-statutory supplementary Covid-19 guidance which was released during 2019/20 to assist schools during the lockdown period.
- Additional clarifications regarding GDPR.

The full document can be downloaded from the Government's website here: https://www.gov.uk/government/publications/keeping-children-safe-in-education--2

Assurance themes

On 15 September 2020, the ESFA published its briefing report on the key assurance themes arising from work undertaken during its 2019/20 year (covering the accounting period ended 31 August 2019). The report notes that the 98% of accounts were submitted by the deadline and that just 0.7% of the statutory audit reports were modified (a decreased from 1.2% the prior year). The majority of delays and modifications continue to relate to issues around trust closure and going concern.

The percentage of modified regularity reports rose from 5.9% in 2017/18 to 7.1% in 2018/19, with the increase attributable to modifications in respect of the new requirements prohibiting the purchase of any alcohol.

The ESFA's report also noted that some trusts' internal scrutiny submissions contained very little information regarding the detail of the work undertaken or the findings arising and encourages trusts to refer to the good practice guide on 'internal scrutiny in academy trusts' (please see above for a link to the good practice guides).

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The full report is available to read here:

https://www.gov.uk/government/publications/academy-trusts-themes-arising-from-esfas-assurance-work

Funding and finance

National funding formula for 2020/21 and beyond

The Minister of State for Schools Standards announced on 9 September 2019 that the Government would continue to use the National Funding Formula to calculate notional allocations for academy revenue funding for 2020/21 and future years. The announcement covered various changes which would apply to the National Funding Formula for 2020/21, including the setting of minimum per pupil funding levels at £3,750 for primary schools and £5,000 secondary schools.

In the same bulletin, it was announced that funding for 2021/22 across all schools would rise by £2.6 billion, and by £4.8 billion for 2022/23 (relative to funding in 2018/19, in both cases).

The full announcement and list of changes to the formula is published here:

https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-09-09/HCWS1828/.

The operational guidance on revenue funding can be found here: https://www.gov.uk/guidance/academies-funding-allocations

Exit payment cap for public sector workers

The government published the results of its consultation on proposals to introduce a £95,000 cap on exit payments for public sector workers when they leave their jobs on 21 July 2020. The response to the consultation notes that:

- The £95,000 cap will apply to the total value of payments made as a consequence of the termination of an individual's employment.
- The cap will now be introduced as soon as possible, rather than in two stages as originally planned.
- The cap may be relaxed under certain published circumstances; any relaxation outside of these circumstances requires the approval of HM Treasury.

The full response to the consultation can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902087/Public_sector_exit_payments_Consultation_response.pdf

Teachers' Pay Grant

The Government has confirmed that it will continue to provide grant funding for schools to cover the 2.75% teachers' pay award approved by the Secretary of State for Education in July 2019. Whilst the Government's current publications on revenue funding and the Teachers' Pay grant confirm that it will continue to be paid separately from revenue funding allocation until 31 March 2021, there has yet to be any indication of whether it will continue beyond that date.

It was confirmed on 27 February 2020 that, for the 5-month period from April 2020 to August 2020, rates would be five-sevenths of the 7-month rates from September 2019 to March 2020, and that the payments would use October 2019 pupil numbers for 5 to 16 year olds as a basis for allocating funding.

More information on the detailed allocation of funding can be found here:

https://www.gov.uk/government/publications/teachers-pay-grant-methodology/teachers-pay-grant-methodology

Teachers' Pension Employer Contribution Grant (TPECG)

Teachers' pension contributions for employers increased from 16.48% to 23.68% on 1 September 2019. The government initially agreed to provide fund to cover the initial impact of the additional cost to employers, which it estimated at £848 million, between 1 September 2019 and 31 March 2020. This grant continues to be paid separately from general revenue funding.

As with the teachers' pay grant, it was confirmed on 27 February 2020 that, for the 5-month period from April 2020 to August 2020, rates would be five-sevenths of the 7-month rates from September 2019 to March 2020, and that the payments would use October 2019 pupil numbers for 5 to 16 year olds as a basis for allocating funding. The rates.

It had previously been verbally announced that the funding would cover a three year period from 30 September 2019 to 31 August 2022. The published grant conditions cover the year from 1 April 2020 to 31 March 2021, but there has, as yet, been no formal publication confirmation funding beyond 31 March 2021.

Further information on the TPECG can be found here: https://www.gov.uk/government/publications/teachers-pension-employer-contribution-grant-tpecg

Local Government Pension Schemes

The latest triennial valuation of the Local Government Pension Schemes (LGPS) was carried out as at 31 March 2019 and was published on 22 May 2020 as part of the LGPS' annual report and financial statements. The total liability across the 89 schemes in England and Wales at 31 March 2019 was estimated to stand at approximately £291 billion. When set against the scheme's assets, the funding rate was approximately 98%, a significant improvement on the 85% level estimated for the previous triennial valuation as at 31 March 2016. The impact of this valuation on employer contribution levels has yet to be announced.

A summary from the Chair of the LGPS Advisory Board, including a link to the full annual report for the LGPS as a whole, has been published here: https://lgpsboard.org/index.php/schemedata/scheme-annual-report

Policy and Governance

Transparent and accountable governance

In June 2020, the Charity Commission issued an alert for charities emphasising the importance of transparent and accountable governance. This alert was sent to trustees of large charities with complex governance and management structures that are in a service-providing industry (e.g. health, education, disaster relief etc). Whilst this was published by the Charity Commission rather than the ESFA, the points it raised are relevant to Academy Trusts.

The alert was prompted following a Charity Commission investigation into the Royal National Institute of Blind People (RNIB) which found that some beneficiaries were being placed at undue risk of harm through what it describes as systematic weaknesses at senior levels including having a culture of dismissiveness toward Ofsted or CQC criticism, inadequate staff training and an overreliance on agency staff leading to poor recruitment practices. The full report can be read at: https://www.gov.uk/government/news/rnib-failures-led-to-some-children-in-the-charitys-care-being-harmed-says-watchdog

As a result of the RNIB investigation, the regulator has provided an alert to remind trustees, senior executives and staff of such charities on the best practice approach to good governance.

Trustees

The role of a trustee is to ensure robust oversight of the charity's operations and structure. Trustees may choose to delegate significant decision-making authority to senior executives and communication needs to be regular and effective. Trustees should also undertake an annual review of the charity's approach to identifying, prioritising and managing risks and establish a timely process for making and handling any complaints against the charity. The alert also suggests that clear lines of responsibility and reporting between all governance and management committees need to be made and that each body has the right mix of skills and is guided by appropriate terms of reference.

Executives

An executive should have effective oversight of the charity's operations and have the confidence to fully disclose any incident to trustees, regulators or agencies on a timely basis. The Charity

Commission encourages regular reporting to the Board on significant incidents which should also include a summary of how such incidents are managed and mitigated. Executives also need to provide assurance to trustees on the quality and safety of the charity's activities and need to have confidence in third party suppliers if used on how they carry out their work.

Staff

Service-providing charities make use of front-line staff or volunteers who serve and interact directly with beneficiaries, who are often vulnerable, and it is important that safeguarding responsibilities remain a top governance priority. The alert highlights the following points for charities to consider:

- Establishing safeguarding policies and procedures that all stakeholders follow;
- Ensuring there are skilled, trained staff/volunteers/trustees to protect people;
- Appointing a senior safeguarding lead to help co-ordinate the charity's safeguarding strategy through engagement both internally and with other agencies and partners; and
- Reviewing the charity's safeguarding arrangements on a regular basis.

The Charity Commission's full alert can be read at: https://www.gov.uk/government/publications/alert-for-charities-the-importance-of-transparent-and-accountable-governance/alert-for-charities-the-importance-of-transparent-and-accountable-governance

Impact of Brexit on audit and accounting

Following the UK's exit from the EU on 31 January 2020, under the terms of the Withdrawal Agreement, the UK entered a "transition period" which is due to end on 31 December 2020. During the transition period there is no change to the UK's audit, accounting and corporate reporting framework.

NCVO Code of Ethics

In light of concerns on safeguarding, the National Council for Voluntary Associations (NCVO) has developed a Code of Ethics for charities to review their own internal policies and practices. This may be a useful tool for Academy Trusts to consider in the context of their own policies, in conjunction with ESFA and DfE guidance. Endorsement of the 'Charity Ethical Principles' is voluntary but covers four key areas: putting beneficiaries first, integrity, being open and the right to be safe. The Principles can be read in full at https://www.ncvo.org.uk/policy-and-research/ethics/code-of-ethics

Fraud and cybercrime

The Government has published a comprehensive guide on how charities can protect themselves against fraud and cybercrime. The guide covers all aspects of fraud and cybercrime with useful links to relevant organisations that combat fraud in charities. As not-for-profit organisations and exempt charities, this guidance is equally applicable to academy trusts.

The guidance determines eight overarching principles for tackling fraud:

1. Fraud will always happen, even at charities;

2. Threats are constantly changing so it is important for charities to be able to adapt defences quickly;

3. Prevention mechanisms are better than cure;

4. Fraudsters exploit the trust and goodwill of a charity;

5. It is good to discover fraud as this is the first step in fighting fraud;

6. Report all fraud on a timely basis to Action Fraud, the relevant regulator or police;

7. Responses to fraud should be proportionate to the charity's size, activities and fraud risks;

8. Everybody involved in the charity should help fight fraud, especially trustees.

The fraud section of the guidance covers a broad range of issues, including how fraud should be reported if a charity is a victim of fraud, how a charity should protect itself from fraud and example policies on anti-fraud, whistleblowing and investigations.

As an ever evolving threat to all organisations, the guidance on cybercrime covers an array of topics. Of particular significance, the National Cyber Security Centre (NCSC) has produced an electronic learning training package covering top tips for staff that covers four key areas: defence against phishing, passwords, device security and incident reporting. The NCSC has also designed a toolkit specifically for boards to encourage wider discussions throughout the charity which contains information on how to plan a response to a cyber-incident. In the event of a cybercrime attack, Action Fraud, the national policing lead for fraud, has launched a 24/7 live cyber-attack helpline which is connected with the National Fraud Intelligence Bureau (NFIB).

The detailed guidance can be found at: https://www.gov.uk/guidance/protect-your-charity-from-fraud

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HR and Personnel

Auto-enrolment

With effect from 6 April 2019, the minimum level of contribution rates into a workplace pension scheme rose to 8% (being at least 3% from the employer, with the employee contributing 5%).

If the employer elects to contribute at a higher rate than these minimum amounts, the rate of contributions required from employees will reduce accordingly.

Taxation

Gift Aid Small Donations Scheme for academies and MATs

GASDS is a simple way to claim Gift Aid-style top-up payments on small cash donations or contactless card donations (£30 or less) without any need to collect personal details or a declaration from the donor. For an academy trust, the GASDS could be useful for cash collections made at, for example, PTU meetings, parents' evenings and school fairs etc.

As with regular Gift Aid, HM Revenue and Customs (HMRC) will pay out 25% of the total value of the donations received. However, with no requirement to collect declarations, in basic principle GASDS is as simple as collecting and recording the cash, and then making the claim.

Further information on GASDS and how academy trusts could effectively apply the scheme can be found on the Buzzacott website, here: https://www.buzzacott.co.uk/insights/gift-aid-small-donations-scheme-for-academies-and-mats-worth-2-000-per-school-per-year

VAT

HMRC is looking closely at Academies and their VAT obligations and continues to issue letters to trusts clarifying their responsibilities. The letter reminds trusts that they cannot use the VAT126 form to claim VAT on purchases related to business supplies if they are not VAT registered. The letter also reminds trusts that they must be registered for VAT if their annual taxable turnover exceeds the registration threshold (currently £85,000). Given that a MAT with a small number of schools can easily breach this threshold with what might appear to be a small amount of taxable business supplies at different schools, it is important that trusts regularly review their level of activities and taxable business supplies.

For further information on the common direct tax and VAT pitfalls and risks for academy trusts, please see our website: https://www.buzzacott.co.uk/insights/academies-common-tax-pitfalls-risks-and-opportunities