

Buzzacott

Accounting Officer training

Tuesday 9 May 2023

Agenda

- Introduction and virtual housekeeping – Catherine Biscoe, Partner
- Introduction to the role and the ESFA requirements – Alison Pyle, Director
- Financial statements and audit – Catherine Biscoe, Partner
- Case studies and common concerns – Katherine Peacock, Associate Director
- Q&A – chaired by Catherine Biscoe, Partner

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Introduction to the role and the ESFA requirements

Alison Pyle, Director

The Accounting Officer role



Accounting Officers' Responsibilities

- Key document – Academy Trust Handbook 2022
 - Effective 1 September 2022 for 2022/23 financial year
 - Updated annually
 - [Academy Trust Handbook - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/academy-trust-handbook-guidance)
- Responsible to the ESFA and Parliament for the management of public funds
 - Regularity
 - Propriety
 - Value for money
- Must adhere to the 7 principals of public life
- Must have oversight of finances
 - Property & assets
 - Measures to prevent loss or misuse
 - Appropriate segregation of duties
 - Maintaining records

Accounting Officers' Responsibilities

- Annual statement on Regularity, Propriety, and Compliance in the financial statements
 - Audited as part of the external audit process
 - Signed by the Accounting Officer
- Demonstrate Value for money in the Governance statement in the financial statements
- Reporting to the trustees
 - Raising concerns with the board
 - Compliance with funding agreement and Academies Trust Handbook
 - Advising the board if any action (or failure to act) is inconsistent with the funding agreement or the Handbook

Regularity reporting

- Statement on Regularity, Propriety and Compliance and statement on Value for Money.
- Is a transaction regular, proper and of benefit to the Trust?
 - is the expenditure in the best interest of your organisation?
 - does the expenditure comply with approved procurement rules and policies?
 - will there be a valid business benefit to the organisation from the expenditure and not just personal benefit to an employee?
 - is the expenditure necessary?
 - is the expenditure reasonable - does it fully meet the identified and agreed needs?
 - has the expenditure been properly authorised?

How does an Accounting Officer form their conclusion?

- Internal control processes:
 - Review of management reporting documents;
 - Review of trustees'/governors' minutes;
 - Ensuring the use of funds is compliant with the funding agreement or relevant grant terms and conditions;
 - Review of correspondence from ESFA;
 - Review of the school resource management self-assessment checklist (SRMSAC);
 - Confirming compliance with the Trust's scheme of delegation;
 - Compliance with delegated authorities;
 - Evaluation of compliance with the "musts" in the Handbook;
 - Ensuring related party transactions have been completed in accordance with the not-for-profit principles and the relevant statements of assurance have been obtained and reviewed;
 - Consideration of whether any personal benefit has been derived from the trust's transactions by staff or connected individuals;
 - Adherence to tendering policies;
 - Consideration of the work and results of the internal scrutiny function; and
 - Review of the tests the reporting accountant carries out.

Practicalities

- Relationship with Trustees
- Reporting to the Audit and Risk Committee
- Working with the finance team
 - Delegation
 - Management accounts
 - Budgeting process
- Systems and processes
- Support from external auditors
- Maintaining records.

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Financial statements and audit

Catherine Biscoe, Partner

Understanding the Financial Statements

- Trustees' report
- Governance statement
- Statement on regularity, propriety and compliance
- Statement of trustees' responsibilities
- Auditor's reports (financial statements and regularity)
- Three primary statements
 - Statement of Financial Activities
 - Balance Sheet
 - Statement of Cashflows
- Supporting notes

Statement of Financial Activities

					2022/23	2021/22
	Note	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total	Total
		£000	£000	£000	£000	£000
Income and endowments from:						
Donations and capital grants	3	123	297	544	964	1,725
Transfer from local authority on conversion		-	-	-	-	8,976
Other trading activities	5	10	-	-	10	9
Investments	6	6	-	-	6	5
Charitable activities:						
Funding for the academy trust's educational operations	4	-	4,585	-	4,585	4,349
Boarding activities [if required]	35	-	-	-	-	-
Teaching school hub [if required]	4	-	-	-	-	-
Total		139	4,882	544	5,565	15,064
Expenditure on:						
Raising funds	7	13	-	-	13	14
Charitable activities:						
Grants	8	-	-	-	-	-
Academy trust educational operations	9	3	4,546	949	5,498	5,198
Provision of boarding activities [if required]	35	-	-	-	-	-
Teaching School hub [if required]	9	-	-	-	-	-
Other		-	-	-	-	-
Total		16	4,546	949	5,511	5,212
Net income / (expenditure)		123	336	(405)	54	9,852

Statement of Financial Activities (continued)

					2022/23	2021/22
	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total £000	Total £000
Income and endowments from:						
Transfers between funds	20	-	(10)	10	-	-
Other recognised gains / (losses):						
Actuarial (losses) / gains on defined benefit pension schemes	32	-	(319)	-	(319)	(133)
Net movement in funds		123	7	(395)	(265)	9,719
Reconciliation of funds						
Total funds brought forward		155	(956)	10,520	9,719	-
Total funds carried forward		278	(949)	10,125	9,454	9,719

Balance Sheet

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Fixed assets					
Intangible assets	14		6		-
Tangible assets	15		9,963		10,518
Current assets					
Stock	16	4		5	
Debtors	17	78		82	
Cash at bank and in hand		896		255	
		<u>978</u>		<u>342</u>	
Liabilities					
Creditors: Amounts falling due within one year	18	<u>(80)</u>		<u>(87)</u>	
Net current assets			<u>898</u>		<u>255</u>
Total assets less current liabilities			<u>10,867</u>		<u>10,773</u>
Creditors: Amounts falling due after more than one year	19		<u>-</u>		<u>-</u>
Net assets excluding pension asset/ liability			<u>10,867</u>		<u>10,773</u>
Defined benefit pension scheme asset/ (liability)	32		<u>(1,413)</u>		<u>(1,054)</u>
Total net assets			<u>9,454</u>		<u>9,719</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	20	10,125		10,520	
Restricted income fund	20	464		98	
Pension reserve	20	<u>(1,413)</u>		<u>(1,054)</u>	
Total restricted funds			<u>9,176</u>		<u>9,564</u>
Unrestricted income funds	20		<u>278</u>		<u>155</u>
Total funds			<u>9,454</u>		<u>9,719</u>

Statement of Cash Flows

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	24	491	260
Cash flows from investing activities	26	150	(5)
Cash flows from financing activities	25	-	-
Change in cash and cash equivalents in the reporting period		<u>641</u>	<u>255</u>
Cash and cash equivalents at 1 September 2022		255	-
Cash and cash equivalents at 31 August 2023	27/28	<u>896</u>	<u>255</u>

Audit requirements

- Financial statements audit opinion
 - True and fair view
 - Prepared in accordance with UKGAAP
 - Compliance with ESFA Accounts Direction
 - Consistency with trustees' report
- Conclusion on regularity
- AAR conclusion
- Internal assurance

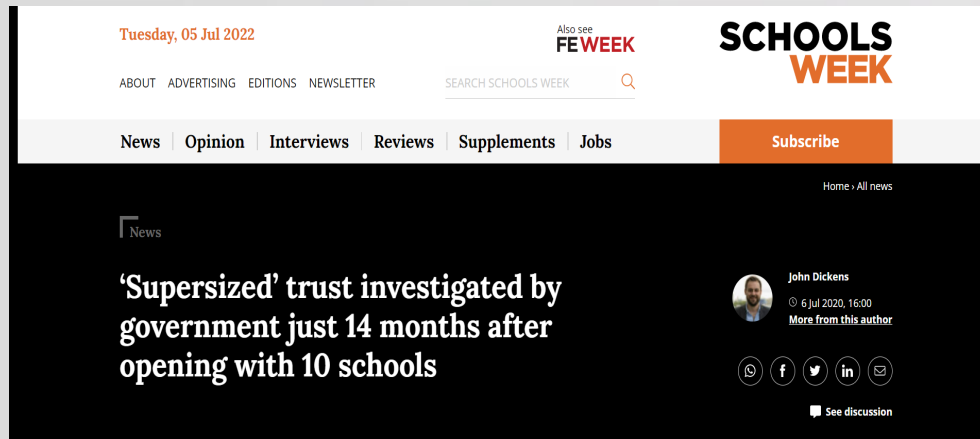
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Case studies and common
concerns

Katherine Peacock, Associate Director

Challenges for the Accounting Officer - Conflict of interest & procurement

- ESFA investigation in 2019
- Catering contract awarded to a related party on a 'for profit' basis
- Register of related parties incomplete and not all conflicts declared / recorded
- Procurement policy not complied with (including consultants, hospitality, marketing and travel expenses)
- Recruitment polices not complied with



Findings: Review identified a number of breaches of polices and the Academies Handbook including weak internal controls. '...Trust needs to take urgent action...'

Challenges for the Accounting Officer - Conflict of Interest

- Journalist reading a set of accounts and asking questions about related party transactions....
- Before setting up a MAT, pre-set up costs had been incurred by the trustees of the sponsoring organisation and their connected parties, these were reimbursed after formation of the MAT
- Correctly disclosed in accounts
- Supporting paperwork and authorisation process could have been more detailed
- No formal ESFA investigation



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Q&A

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Thank you for attending.