

SHIRELAND COLLEGIATE ACADEMY TRUST

YOUR EXTERNAL AUDIT FINDINGS

FOR THE YEAR ENDED 31 AUGUST 2021

COOPER PARRY



SHIRELAND COLLEGIATE ACADEMY TRUST

YOUR EXTERNAL AUDIT FINDINGS

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DISCLAIMER

Your external audit findings document is prepared for the confidential use of your trust and forms part of our ongoing communications under International Standard on Auditing (UK) 260 - communication of audit matters with those charged with governance. The findings highlight the key matters and issues arising from our audit and regularity assurance report on the trust's financial statements for the year ended 31 August 2021.

The contents of our findings have been discussed with management and their comments and responses have been included where applicable. The matters set out in our findings are those that came to our attention during the course of our normal audit and regularity assurance work, which was designed to enable us to form our opinion on the financial statements and provide our assurance report on regularity. Our work may not necessarily disclose all errors or irregularities and should not be relied upon to do so.

The findings have been prepared for the sole use of the trustees and management of your Trust. We understand that you are required to provide a copy of this document to the Education & Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, our findings may not, without our express written permission, be relied upon by your trust for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. Cooper Parry Group Limited neither owes nor accepts any duty to any other party who may receive this report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on these findings.

YOUR EXTERNAL AUDIT FINDINGS EXECUTIVE SUMMARY

DEAR TRUSTEES

Welcome to your external audit findings for the year ended 31 August 2021.

This document sets out the key matters and issues arising from our audit and regularity assurance report on your trust's financial statements for the year ended 31 August 2021. More detail on each area can be found in on the rest of the findings.

AUDIT AND REGULARITY ASSURANCE STATUS

REPORT	UNMODIFIED
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Opinion on the audit report in the financial statements



Assurance report on regularity in the financial statements



OUTSTANDING INFORMATION

- ✓ Signed letters of representation

INTERNAL CONTROL IMPROVEMENTS

RISK	CURRENT YR	PRIOR YRS
	-	-
	-	-
	2	-
	N/A	3

KEY AUDIT RISK FINDINGS

KEY RISK	FINDINGS
Income recognition	No issues identified
Fund accounting	No issues identified
Going concern	No issues identified
Management override	No issues identified
Related party transactions	No issues identified
Retirement benefits	No issues identified
Academies on conversion	No issues identified

AUDIT ADJUSTMENTS

	REV £000	PEN £000	CAP £000
Operating surplus	1,571	-	17,256
Audit adjustments	(16)	-	-
LGPS adjustments	-	(7,310)	-
NET MOVEMENT	1,555	(7,310)	17,256

UNADJUSTED AUDIT DIFFERENCES

There were no unadjusted audit differences.

YOUR EXTERNAL AUDIT FINDINGS

FINANCIAL OVERVIEW

FUNDS	UNRES'D £000	RES'D £000	REVENUE £000	PENSION £000	CAPITAL £000	TOTAL £000
Income	1,908	26,388	28,296	-	8,702	36,998
Expenditure	(1,689)	(25,215)	(26,904)	(1,526)	(1,712)	(30,142)
SURPLUS / (DEFICIT)	219	1,173	1,392	(1,526)	6,990	6,856
Fund transfers	(10)	(729)	(739)	-	739	-
Academy conversions	163	-	163	(3,245)	10,266	7,184
LGPS movement	-	-	-	(2,539)	-	(2,539)
NET MOVEMENT	372	444	816	(7,310)	17,995	11,501
Funds brought forward	1,562	817	2,379	(14,339)	60,571	48,612
FUNDS CARRY FWD	1,934	1,261	3,196	(21,649)	78,566	60,113

UNPICKING THE RESULTS

With the specific format of the trust's financial statements, it's not always easy to understand the true underlying operating results for the year. The table above summarises the overall financial results of the trust for the year ended 31 August 2021 and how these are reported in the financial statements:

The overall net operating revenue surplus for the year is **£804k**.

The overall operating reserves at 31 August 2021 are **£3,196k**. This compares to the trust's stated reserves policy of 5% of total funding which equates to approximately £1,041k, so represents a current "headroom" of reserves of £2,155k. £1,262k of these reserves are currently committed for restricted projects, leaving a balance of uncommitted free reserves of £1,934k.

SPLIT BY SCHOOLS

An analysis of the operating reserves balance split across the schools within the MAT are as follows:

SCHOOL	B/FWD £000	MOV'NT £000	C/FWD £000
Shireland Collegiate Academy	624	178	802
Thorns Collegiate Academy	124	25	149
Holyhead Primary Academy	245	(42)	203
Tameside Primary Academy	384	(13)	371
West Bromwich Collegiate Academy	159	100	259
Shireland Technology Primary	31	24	55
Wallbrook Primary Academy	-	196	196
Lightwoods Primary Academy	-	77	77
Central funds	814	269	1,083
TOTAL FUNDS	2,380	816	3,196

YOUR EXTERNAL AUDIT FINDINGS AUDIT AND REGULARITY STATUS

OUR AUDIT AND REGULARITY ASSURANCE APPROACH

There were no changes to our audit and regularity assurance approach as previously set out to you in our external audit plan dated 01 November 2021.

INDEPENDENCE

We have complied with the Financial Reporting Council's Ethical Standard for Auditors and all threats to our independence, as set out to you in our external audit plan dated 01 November 2021, have been properly addressed through appropriate safeguards.

No additional facts or matters have arisen during the course of the audit that we want to raise with you, and we confirm that we are independent and able to express an objective opinion on the financial statements.

ACCOUNTING POLICIES AND DISCLOSURES

We have reviewed the accounting policies adopted by the trust and found these to be appropriate for the trust and in line with the sector overall, as well as having been applied consistently throughout the year. There were also no changes in the trust's accounting policies compared to the previous year.

We have also reviewed the disclosures included in the trust's financial statements and are satisfied these are consistent with the applicable requirements of the Academies Accounts Direction 2020-21, the Charities SORP and the Companies Act 2006.

OUR AUDIT AND REGULARITY ASSURANCE REPORTS

Our audit and regularity assurance fieldwork is complete, and we have had a clearance and completion meeting with Jane Kellas, Jade Reid and Gary Reid on 24 November 2021 where we reviewed the draft financial statements and discussed our audit findings including the contents of this report.

Subject to the clearance of the outstanding matters outlined below, we anticipate issuing an unmodified audit report and an unmodified regularity assurance report .

OUTSTANDING MATTERS

Before issuing our audit and regularity assurance reports, we still require the following:

- ✓ the signed letter of representation, which includes the following non-standard representations:
 - ✓ The final income on conversion for Lightwood Primary Academy is not material for inclusion at the year end.

YOUR EXTERNAL AUDIT FINDINGS

KEY AUDIT RISKS AND FINDINGS

Our external audit approach is risk based. During the audit planning process, we sought to minimise the risk of material misstatement occurring in the financial statements and remaining undetected at the conclusion of our audit work. Our focus was drawn to the following key risk areas and our findings from our audit work on these is detailed below:

RISK	AUDIT WORK UNDERTAKEN	FINDINGS
<p>INCOME RECOGNITION</p> <p><i>Is income recognised in line with relevant standards and guidance?</i></p>	<ul style="list-style-type: none"> ✓ We agreed ESFA / DfE and LA funding, including any COVID-19 relating funding, to supporting remittances and pupil census data to ensure the correct accounting treatment. ✓ We reviewed capital grants to supporting award information and confirmed the point of entitlement to ensure the correct accounting treatment. ✓ We reviewed other income types to determine whether any are considered 'trading' income. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this risk area that need to be brought to your attention. ✓ We have concluded that income is not materially misstated in the financial statements.
<p>MANAGEMENT OVERRIDE AND BIAS</p> <p><i>Is there is any evidence of misstatement in the accounts due to management bias?</i></p>	<ul style="list-style-type: none"> ✓ We obtained a report for all journals posted to the accounting system and tested a sample to ensure they were appropriate and in line with your financial procedures. ✓ We reviewed areas of significant accounting estimation including consideration of the basis of relevant management / trustee assumptions. ✓ We reviewed the month end process and information provided to trustees to ensure information allows for informed timely decisions to be made. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We did not identify any evidence of management override or bias in your accounting records or financial statements.
<p>FUND ACCOUNTING</p> <p><i>Is restricted income correctly identified and expended?</i></p>	<ul style="list-style-type: none"> ✓ We ensured that expenditure of restricted funding streams, including any COVID-19 related funding, was in line with the funding agreements or terms of funding and was correctly allocated against that funding. ✓ We reviewed the details of all ancillary costs for other grant income and other income and ensured that it is being spent from the correct source of income. ✓ We reviewed computer and repairs and maintenance expenditure to ensure that amounts were correctly accounted for as either capital or revenue expenditure. ✓ We reviewed all capital projects in the year to ensure all expenditure and fund balances have been properly accounted for, including any amounts transferred from reserves. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We have concluded that expenditure is allocated appropriately in the financial statements and that the balances of funds as reported in the financial statements are not materially misstated.

YOUR EXTERNAL AUDIT FINDINGS

KEY AUDIT RISKS AND FINDINGS

RISK	AUDIT WORK UNDERTAKEN	FINDINGS
<p>GOING CONCERN</p> <p><i>Is the trust able to continue operating for at least 12 months from the date of approval of the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We obtained and reviewed the trust's 3-year budget forecasts, with associated reserves and cashflow information, and challenged the assumptions used. ✓ We reviewed the trustees' going concern conclusions and the going concern commentary included in the financial statements. ✓ We considered the impact of COVID-19 on the trust's budget forecasts and any impact this has on the trust's going concern status and disclosures in the financial statements. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We agree with the trustees' conclusion that the trust is a going concern and we are satisfied with the disclosures included in the financial statements.
<p>RELATED PARTY TRANSACTIONS</p> <p><i>Are all related party transactions identified, approved and disclosed in the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the trust's register of interests to ensure completeness and compliance with AFH requirements. ✓ We tested all related party transactions to ensure that they have been undertaken in line with AFH requirements. ✓ We ensured that related party transactions have been appropriately disclosed in the financial statements, including any trustee's remuneration. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We did identify any additional related parties or transactions that require disclosure in the financial statements.
<p>RETIREMENT BENEFITS</p> <p><i>Is the local government pension scheme liability accurately accounted for and disclosed in the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We obtained and reviewed a copy of the FRS 102 actuarial valuation prepared by your scheme actuaries. ✓ We reviewed the underlying data used in the valuation including a reconciliation of the contributions paid into the scheme. ✓ We benchmarked the valuation's underlying assumptions to ensure they were reasonable and in line with our expectations and consistent when compared to the sector overall. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We have concluded that the LGPS liability is not materially misstated and is correctly accounted for and disclosed in the financial statements.
<p>ACADEMY TRANSFERS</p> <p><i>Are the assets / liabilities of academies that converted during the year correctly accounted for and disclosed in the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the commercial transfer agreements to ensure all assets / liabilities transferred on conversion are properly accounted for, including reviewing the basis of valuations of assets and liabilities transferred and any assumptions used in these valuations. ✓ We ensured the financial statements include the appropriate disclosures relating to each of the academy conversions during the year. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We have concluded that the assets and liabilities transferred were correctly accounted for and that appropriate disclosures have been included in the financial statements.

YOUR EXTERNAL AUDIT FINDINGS

AUDIT ADJUSTMENTS

From our audit work we identified certain proposed adjustments in the financial statements. These have been discussed with Jane Kellas, Jade Reid & Gary Reid and all of them have been adjusted for in the financial statements as follows:

	REVENUE £000	PENSION £000	CAPITAL £000
Surplus / (deficit) per pre-audit trial balance	2,311	-	17,256
Late client adjustment	(740)		
Audit adjustments for:			
Movement of loan repayments to capital	(16)	-	-
LGPS pension cost charges per FRS102 report	-	(1,526)	-
LGPS pension liability on conversion per FRS102 report		(3,245)	-
SURPLUS / (DEFICIT) FOR THE YEAR	1,555	(4,771)	17,256
Adjustment for transfers between funds	(739)		739
LGPS actuarial movement in the year per FRS102 report	-	(2,539)	-
NET MOVEMENT IN FUNDS FOR THE YEAR	816	(7,310)	17,995

The adjustment for the funds transferred from revenue funds to capital funds of £739k arose due to additional capital expenditure in the year as these were funded from the trust's reserves.

UNADJUSTED DIFFERENCES

There were no unadjusted differences identified from our completed audit procedures.





YOUR EXTERNAL AUDIT FINDINGS INTERNAL CONTROL IMPROVEMENTS

The trust's management are responsible for the identification, assessment and monitoring of risk and for developing, operating and monitoring the systems of internal control within the trust and for providing assurance to the board of trustees that it has done so.

Our audit and regularity assurance work included consideration of internal controls relevant to the preparation of the financial statements and the statement on regularity, propriety and compliance in order to design audit and regularity assurance procedures that are appropriate for the purposes of our audit and regularity assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit and regularity assurance engagement are, therefore, not designed to identify all internal control weaknesses.



The matters reported below are limited to those areas identified during the audit and regularity assurance engagement where internal control improvements are recommended, including any improvements recommended in prior years.

The detailed internal control improvement recommendations, which are set out on the following pages, have been graded based our assessment of their potential risk to the trust according to the following grading system.

RISK	DESCRIPTION	CURRENT YEAR	PRIOR YEAR
	HIGH RISK: The improvements recommended are so fundamental to the system of internal control and governance that action should be taken immediately to minimise the risk of material misstatement or governance failings.	-	-
	MEDIUM RISK: The improvements recommended have an important effect on the system of internal control and governance such that a lack of action could lead to a material misstatement or governance failing.	-	-
	LOW RISK: The improvements recommended would improve the system of internal control and governance generally in line with good practice, but are unlikely to lead to a material misstatement or governance failing	2	-
	RESOLVED: The improvements recommended in the previous year which have now been resolved.	N/A	3

YOUR EXTERNAL AUDIT FINDINGS INTERNAL CONTROL IMPROVEMENTS

CURRENT YEAR

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>EMPLOYEE CONTRACTS</p> <p>During our payroll substantive testing, we noted that there was one unsigned contract, as well as a missing salary review letter.</p>	<p>We recommend that all employees have a signed contract of employment, as well as salary review letters, on file to reduce the risk of any disagreements over employee terms and conditions, or changes in employee salaries</p>	<p><i>The Trust will work to endeavour all employee contracts are signed.</i></p>
	<p>RELATED PARTY DISCLOSURE</p> <p>During a review of related party transactions and comparing them to payroll records it was noted not all disclosures made were on the published transparency document due to an administrative error.</p> <p>It has been concluded that all disclosures had been made but not updated on the transparency document held on the website.</p>	<p>We recommend that all related parties are identified on the payroll as part of the monthly reconciliation and authorisations.</p> <p>This will ensure at the year end all parties are captured for reporting. We also recommend continuing in ensuring appropriate independence is used when hiring of new related parties.</p> <p>The Transparency Report needs updating on the Trust website when any changes are made.</p>	<p><i>Checks are made regularly to ensure all related parties are captured and challenged where not declared. As all related party declarations are recorded centrally, we have the advantage of being able to cross reference Trust wide. The Trust will continue to practice in the same way to do everything we can to pick up on related parties but check on a monthly basis rather than termly.</i></p> <p><i>We always endeavour to ensure any conflicts are managed accordingly and will continue with this good practice.</i></p>


YOUR EXTERNAL AUDIT FINDINGS INTERNAL CONTROL IMPROVEMENTS

PRIOR YEAR UPDATES

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>PAYROLL CREDITOR RECONCILIATION</p> <p>During the audit we noticed that there was a £65,959.67 difference between the payroll control account and a summary of the August-20 payroll reports.</p> <p>We understand that the payroll reports provided by the new payroll provider are different in format, and a Trust monthly summary is not being provided (but the finance team are in ongoing discussions to rectify this).</p>	<p>Although not material to the accounts, we recommend this matter is looked into internally and reconciliations performed going forward.</p>	<p><i>We are in ongoing discussions with Dataplan to produce a report that enables the payments to be reconciled to the figures within the accounts. At this moment we are querying this amount, which we believe relates to payments to West Midlands Pension Fund that have not been transacted.</i></p> <p>2021 YEAR UPDATE</p> <p>This year's reconciliations were reviewed, and no differences were noted.</p>
	<p>PURCHASE INVOICES – FINANCIAL PROCEDURES</p> <p>During our testing of purchase invoices, we identified the following hadn't been completed / entered in line with the Trust's financial procedures:</p> <ul style="list-style-type: none"> - 6 (out of 28) invoices were not stamped as posted - 10 (out of 28) invoices were not stamped as paid - 6 (out of 28) invoices were recorded with a different date on PSF 	<p>We recommend that the Trust's financial procedures are followed to ensure appropriate recording (and a clear audit trail) of expenditure.</p>	<p><i>Agreed we will put on additional training this year to reinforce the Trust processes for recording of expenditure.</i></p> <p>2021 YEAR UPDATE</p> <p>During this year's testing all the sample selected were appropriately authorised.</p>

YOUR EXTERNAL AUDIT FINDINGS INTERNAL CONTROL IMPROVEMENTS

PRIOR YEAR UPDATES

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>INVOICING OF HR SUPPORT (SLL)</p> <p>During our testing of income, it was identified that the company may not be retaining sufficient information on HR contracts.</p> <p>Some HR contracts are charged on a per head basis, the number of charges is extracted from a live spreadsheet. The record at time of billing is not saved.</p> <p>In the event of a dispute on charging with customers, it may be difficult to establish the correct position, which could weaken the company's position and possibly lead to a loss of revenue.</p>	<p>We recommend that a manual save of the spreadsheet is taken when the HR invoices are raised.</p> <p>This will help ensure a clear record is present, in case of dispute and help maintain a clear audit trail.</p>	<p><i>We will ensure a manual record is kept in future.</i></p> <p>2021 YEAR UPDATE</p> <p>This is considered to be resolved as there were no instances of this in the current year.</p>

THANK YOU

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While our main offices are based in the Midlands, our teams of talented people operate right across the UK – with hubs in London and the South East.

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YOUR EXTERNAL AUDIT PLAN KEY ACADEMY SECTOR UPDATES

ACADEMIES TRUST HANDBOOK 2021

In June 2021 the ESFA issued the new **Academy Trust Handbook 2021**. When we say “new”, its not really new – it’s the Academies Financial Handbook as we previously knew it, but just now renamed as the Academy Trust Handbook (or ‘ATH’) so as to more accurately highlight the existing responsibilities of academy trusts in a wider range of areas that go beyond just finance.

While it’s now called the Academy Trust Handbook, it still references the Academies Financial Handbook in its title which is important as all trust’s funding agreements and various other policies and procedures reference to the AFH. So, at least there is no need to go out and revise all of those documents from 1 September 2021, although in time these will need to be updated.

The ATH 2021 is effective from 1 September 2021 onwards and as always, compliance with it is a condition of all academy trust’s funding agreements. The ATH 2021 can be found on the ESFA’s website using the link below:

<https://www.gov.uk/guidance/academy-trust-handbook>

We also produced a helpful guide on the key changes in the new ATH 2021 which you can find on the Cooper Parry website using the following link:

<https://cooperparry.com/news/academy-trust-handbook-2021-the-key-changes/>

ESFA FINANCIAL MANAGEMENT GOOD PRACTICE GUIDES

The ESFA continue to develop their range of **good practice guides** for academy trusts which are intended to promote best practice in many of the areas covered by the Academy Trust Handbook and Academies Accounts Direction.

These good practice guides were referred to in the most recent “Dear Accounting Officer” letter from Eileen Milner, the Chief Executive of the ESFA, and can be found on the ESFA website using the link below:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides>

There have been several updates to the guides over the last year, which most notably have covered the Streamlined Energy and Carbon Reporting guide, the academy trust risk management guide and the operating an academy trust as a going concern guide.

The **operating an academy trust as a going concern** guide is particularly relevant given the increased focus on going concern in recent years, including the increased focus on this in the Academies Financial Handbook 2019-20 and the Academies Trust Handbook 2020-21. Both of these stressed that in addition to the trustees’ responsibility for ensuring regularity and propriety in the use of public funds, they **must** also take ownership of the trust’s financial sustainability and its ability to continue as a going concern.

The key point to take away from this guide is that future planning and accurate future financial projections have never been more important. The board of trustees are responsible for ensuring that there is an assessment to support the preparation of an academy trust’s financial statements on a going concern basis and they cannot simply rely on the external auditors’ opinion on this. Not performing appropriate assessments, monitoring management accounts or not planning ahead runs the risk of missing critical opportunities to avoid both deficits and negative cashflow.

YOUR EXTERNAL AUDIT PLAN KEY ACADEMY SECTOR UPDATES

UPDATED MODEL FUNDING AGREEMENTS

Over the last year, the Department for Education ('DfE') have updated the model funding agreements for academy trusts, which can be found on the DfE's website using the following link:

<https://www.gov.uk/government/publications/academy-and-free-school-funding-agreements>

There were no major changes in the updated documents and changes made were more in terms of 'tinkering' around the edges of the documents.

Whilst its not mandatory to adopt the new agreements for existing academy trusts, there are some situations where your trust may be required by the DfE to adopt the new agreements as follows:

- Where there are changes in the structure of the trust (i.e. new schools joining, mergers, age range or capacity changes); and / or
- Where the trust adopts the revised Articles of Association (see further below on this).

It's also worth noting that for trusts making CIF applications, these are often given a weighting towards strong governance and good financial management, which includes adopting the new funding agreements so this could also be a driver for adopting the new agreements.

REVISED ARTICLES OF ASSOCIATION

The DfE have also recently updated the model articles of association for academy trusts, which can be found on the DfE's website using the following link:

<https://www.gov.uk/government/publications/academy-model-memorandum-and-articles-of-association>

As with the updated model funding agreements, its not mandatory for existing academy trusts to adopt the revised articles of association. However, it is likely the DfE will use trust expansions and changes to drive their adoption.

A lot of the changes compliment the changes announced in the new Academy Trust Handbook from 1 September 2021 and the key changes are:

- A greater emphasis on independence of members from trustees;
- A greater focus on suitability of individuals as trustees / members; and
- A greater engagement from members, with AGMs now compulsory and a greater clarity on the duties of members provided.

One important aspect to note is the conflict between the revised articles of association and the Academy Trust Handbook 2021 in relation to the separation of members and trustees. The ATH 2021 states (in section 1.6) that there should be a significant separation between the members and trustees and that the DfE's strong preference is for a majority of members to be independent of the trustees. The important aspect here is the emphasis of the wording used here being "should" and hence "best practice". The revised articles of association also address the separation issue but (in clause 12B) state that there must be a majority of members who are not also trustees. The important aspect here is emphasis of the wording which is much stronger than in the ATH 2021 as refers to "must" and hence "mandatory".

It's not clear why there is this conflict, but it's something to be aware of if your trust is considering adopting the revised articles of association as this may well necessitate a change in your governance structure.

YOUR EXTERNAL AUDIT PLAN

KEY ACADEMY SECTOR UPDATES

DFE'S STANDARD CHART OF ACCOUNTS

The DfE continue to encourage academy trusts to adopt their standard chart of accounts as this is their standard for financial data and underpins the reporting in the Academies Accounts Return ('AAR') and the Budget Forecast Return ('BFR').

It's also part of the DfE's "Better Finance Reporting" program, with the aim being to standardise reporting across the sector and improve benchmarking information and to reduce some of the reporting burden on academies in the AAR and BFR preparation (i.e. "automation")

There are some pros and cons from adopting the standard chart of accounts, which are broadly:

The **pros**:

- Consistency of reporting across the sector and within MATs;
- An opportunity to rationalise nominal codes and eliminate inconsistencies across a trust; and
- Automation of the AAR / BFR preparation, saving time and money.

The **cons**:

- The initial time and cost of transition to the standard chart of accounts;
- The different options (and cost) depending on your trust's financial management software provider;
- The training required for finance teams on new codes structure; and
- Potentially having to adapt your management reporting

Further information on the standard chart of accounts can be found on the DfE's website using the following link:

<https://www.gov.uk/government/publications/academies-chart-of-accounts>

If you are thinking of adopting the standard chart of accounts then some key considerations are:

- Talk to your financial management software provider about it and the automation set up;
- Consider the database options, as these will vary depending on your financial management software provider;
- Consider the timing for adopting the standard chart of accounts as it's realistically best to adopt it from the start of a new academic year;
- Ensure your budgeting system is also updated to reflect new structure and codes; and
- Ensure you have a process for the timely posting of year end audit adjustments in your financial management software.