

Academies update

With a new academic year starting, Academies will need to be familiar with the requirements of the Academies Financial Handbook 2019. Published in June and taking effect on 1st September 2019, here are the key changes for Academies to be aware of:

1. Internal audit requirements including an audit committee or combined with another committee
2. Importance of the role of clerk to the board
3. More robust methods in respect of financial monitoring
4. Additional requirements around setting executive pay
5. Maintaining a risk register
6. Whistleblowing procedure
7. Providing information to the ESFA about changes in governance
8. Secretary of State directions in certain circumstances
9. ESFA work with other government bodies.

Internal audit requirements including an audit committee or combined with another committee

The main changes are in respect of the internal audit requirements. Firstly, it is now mandatory to have an audit committee, whether that be a standalone committee where the academy has income of over £50 million or combined with another committee if below this threshold. Previously, it was only academies with income over £50 million to have an audit committee. This committee must meet at least three times a year. The committee must also have a focus to its activities including terms of reference and a programme of works. The internal audit requirements are more extensive, making it mandatory to deliver internal scrutiny in an appropriate way either by appointing an in-house internal auditor, a bought in internal audit service, appointment of a non-employed trustee or a peer review by the chief financial officer or other member of the finance team from another academy trust. The internal audit must not be carried out by the trust's own accounting officer, chief financial officer or other members of the finance team. It must be carried out by someone suitably qualified and experienced.

Importance of the role of clerk to the board

There is more detail included about what the role of the clerk to the board may include, for example in guiding the board to comply with the legal and regulatory framework.

More robust methods in respect of financial monitoring

Rather than suggesting that the board consider whether additional financial reporting is appropriate if the board has concerns about financial performance, the update specifies that "the board should act quickly ensuring the trust has adequate financial skills in place". There are also links included which assist with financial planning in respect of estate management.

Additional requirements around setting executive pay

There has been some tightening of the language used in respect of the setting of executive pay, including the decisions to be made being "reasonable and defensible" reflection of the individual's role and responsibilities as well as a "proportionate" process. The pay and benefits must represent "good value for money" and be satisfied that any payments made do not undermine the transparency requirements in accordance with the Academies Accounts Direction. Finally, it is explicit that senior managers with significant financial responsibilities should be exclusively on payroll and subject to Pay As You Earn with income tax and NI contributions deducted at source. There is no definition provided in respect of "senior managers with significant financial responsibilities".

Maintaining a risk register

It is now a requirement for an academy to have a risk register, rather than a recommendation.

Whistleblowing procedure

The requirements around whistleblowing have been updated and more prescriptive, stating that the trustees must agree the whistleblowing procedure and that the trust must ensure that all staff are aware of the whistleblowing process.

Providing information to the ESFA about changes in governance

Academies still need to update the ESFA in respect of changes in governance, and in addition for multi-academy trusts the Get Information About Schools website needs to include details of the headteacher, chairs of local governing bodies and local governors (where local governing bodies exist).

Secretary of State directions

The Secretary of State directions are broadly similar, however there is now a broad sweeping provision that states where the Secretary of State “has concerns about an individual managing an academy trust, he may take action to address those concerns”. It does not state what those actions may include.

ESFA work with other government bodies

As in the previous version, the Secretary of State continues to work with the Charity Commission, however it explains now that this is not just in respect of the administration of a charity but more generally the individuals running the academy including though not limited to the trustees.

The Secretary of State also states that it will work with the Insolvency Service and refer academy trustees where they consider that they are unfit to manage a company as a director.

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Helen advises charities and social enterprises, assisting clients to choose the most appropriate charitable and social enterprise structures, as well as governance more generally. Helen’s experience includes registering of charities and CIOs with the Charity Commission, varying governing documents, mergers of charities and contractual queries. Helen works with a wide variety of charities including start-ups, social enterprises, established charities, academies and independent schools.