

Robinson Reed Layton

Academy School Newsletter – Summer/Autumn 2014



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**CHARTERED
ACCOUNTANTS
and
CHARTERED
TAX ADVISERS**

Introduction

Welcome to our Academy School newsletter. In this edition we review the Academies Accounts Direction 2014 which has recently been issued and we summarise some of the changes that Academies will need to deal with.

If you would like to discuss any of the issues mentioned here then please do not hesitate to contact one of the Academies team.

Mark Williams
Partner

Academies Accounts Direction 2013-2014

The update to the Accounts Direction 2013-2014, effective for August 2014 year ends was issued on 23 May 2014.

Audit issues

- Additional guidance has been provided on the contents of auditors' management letters that need to be submitted to the EFA with the approved financial statements.
- Although more of a technical issue, the reference to the regularity review report will now be signed off by the accountants as "Reporting Accountant" rather than "External Auditor".

Governance

- The method in which the financial statements and management letter will be submitted to the EFA will be confirmed nearer to the filing deadline.
- The members of the Academy will need to be disclosed in the trustees report.
- Audited financial statements to 31 August 2014 will need to be published on Academy School websites by 31 January 2015 (31 May in previous years). At least two year's accounts should be made available on the Academy website.
- The Accounts Direction has been updated to reflect changes to companies' legislation concerning "Strategic Reports". The 2014 accounts will need to include a Strategic Report for the first time.

The Accounts Direction confirms that Academies should include this report even if their income

and assets do not exceed the medium sized company thresholds. The format of the trustees report has therefore been amended to incorporate the Strategic Report. In essence, there is a new heading of Strategic Report to include the following sub-sections:

Achievements and Performance
Financial Review
Principal risks and uncertainties

- Instances of material irregularity, propriety and non-compliance need to be included on the face of the accounting officer's statement.

Financial reporting

- Some clarifications have been made regarding ex gratia/compensation payments, losses on fixed assets, irrecoverable debts, stock and cash losses that were not included in the 2013 Accounts Direction.
- Academies filing dormant accounts for the year ended 31 August 2014 (where trade has not commenced) will need to inform the EFA by 30 September 2014.
- Further clarification has been given that "Nil transaction" related party disclosures are required relating to multi academy trusts. Also confirmation should be made that any transactions are "arm's length" transactions.
- There are various other changes including significantly updated Teachers Pension Scheme disclosures, changes to operating lease disclosures, activities by fund and predecessor school assets/liabilities.

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Key disclosure changes

Some of the key changes are as follows:

- The staff costs note will need to include details of non-statutory/contractual severance payments, plus individual disclosure of items over £5,000.
- The resources expended note will need to include the following:
 - Ex-gratia payments/compensation payments
 - Gifts made by the Academy
 - Fixed asset losses
 - Stock losses
 - Irrecoverable debts
 - Cash losses
- More narrative disclosure will be required within the fixed asset note in relation to land and building transactions.
- Updated narrative for Teachers' Pension and standard element of LGPS.
- If there were no related party transactions, then this needs to be stated in the accounts.
- There are no substantial changes to trustee remuneration requirements.

Other new/amended guidance

- Clarification has been given that where unrestricted funds have been used for capital assets that this does not require a transfer to the restricted fixed asset fund.
- The Accounts Direction also confirms that the signatory of the accounts is usually the chair rather than mandating this. This should assist when the Chair is unexpectedly unavailable to sign off the accounts.
- Capitalisation limits for assets that are purchased collectively has been clarified. Best practice for assets bought together as a set (e.g. a number of computers) will be to capitalise and depreciate as a group.
- Updated GAG guidance has been made to reflect the changes to academy funding noting that GAG (for the purpose of funding carried forward) consists of school budget share, minimum funding guarantee, education services grant, insurance, rates, pre-16 high need funding, post-16 high need funding.

Related party transactions

The rules concerning related party transactions are in place to ensure that no one is seen to be exploiting an organisation.

Any contracts for services must be properly procured and represent value for money. The Handbook also makes it clear during the procurement process that the services provided by a related party must be provided with no element of profit.

The relevant sections of the handbook came into force on 7 November 2013 and make it clear that Academy Trusts must pay no more than "cost" for goods and services provided (not contract of employment) by the following:

- Members or trustees
- Any individual or organisation connected to a member or trustee of the Academy (includes relative, business involving the trustee, company in which trustee/member holds a 20% or more share, an organisation controlled by a member or trustee).

It is important to monitor pre-existing contracts which may need to be renegotiated, consider new terms when renewing contracts, instances where obtaining value for money through a connected party and a connected party not being able to offer a service at cost.

Charity statement of recommended practice (SORP)

The new charity SORP has recently been issued and will relate to accounting periods commencing after 1 January 2015. Therefore the accounts for the year ending 31 August 2016 will need to comply with this new SORP.

Specific guidance on how Academies will need to comply with the new SORP will be provided in future Accounts Directions issued by the EFA.

Academy School contacts

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