**CHANGES TO ACADEMIES FINANCIAL HANDBOOK – September 2020**

**Executive team**

Your board is still required to appoint an accounting officer and a chief financial officer (CFO), but the updated handbook confirms:

Both should be employees of your trust (1.26 and 1.36)

Your trust must get approval from the Education and Skills Funding Agency (ESFA) if, in exceptional circumstances, it wants to appoint an accounting officer or CFO who isn't a trust employee (1.26 and 1.36)

**Governance**

The updated handbook confirms that:

* Your trust must appoint a clerk to the board (paragraph 1.40) - in the 2019 AFH this was a 'should'
* Members can't be employees of your trust (1.4) - this was also the case previously unless permitted in your articles of association. This previous exception will expire on 1 March 2021, when there will be a complete ban. The updated handbook also confirms that members must not occupy staff establishment roles as a volunteer

**Executive pay: new publication requirements**

You will be required to publish information on the number of employees whose benefits exceed £100,000

'Benefits' include salary, other taxable benefits and termination payments, but not your trust’s own pension costs (2.32).

From September, you should publish this information:

* On your trust website **in a separate readily accessible form ie on the web page itself and not attached as a pdf**
* In £10,000 bandings
* As an extract of your financial statements for the previous year that ended on 31 August
* If the employee is also a trustee, their salary and other benefits will also be disclosed in £5,000 bandings in your trust’s financial statements, as set out in the Academies Accounts Direction.

**Self-assessment: a new requirement**

Your trust must complete the School resource management self-assessment tool and submit the completed checklist to the ESFA annually (6.8).

**Internal scrutiny: new guidance**

The updated handbook states that your trust's external auditor can no longer also carry out your internal audits, in line with the Financial Reporting Council's revised Ethical Standards (3.17). There are transitional arrangements which permit existing audit engagements at 15 March 2020 to conclude.

However, the handbook clarifies that, when doing internal scrutiny, your trust can use 'other individuals or organisations' where you require specialist non-financial knowledge' (3.18).

**A new committee: audit and risk**

From September, your board is required to appoint an audit and risk committee (3.6) - in the 2019 handbook this was the audit committee.

As previously, this committee:

* Must be a standalone committee in trusts that have an annual income of over £50 million
* May be combined with another committee for other trusts (such as the finance committee)
* Membership requirements also remain the same as in previous years.

Your board's audit and risk committee has 2 primary functions:

1. Internal scrutiny

As in previous years, the committee must direct your trust's programme of internal scrutiny and report to the board on the adequacy of your trust's internal control framework. However, the audit and risk committee will now also have to:

Ensure that risks are being addressed appropriately through internal scrutiny (3.8)

There's also a subtle change to committee operations, from 'review the risk register' to 'review the ratings and responses on the risk register' to clarify what information should inform the committee's programme of work (3.12).

2. External audit oversight and findings

The audit and risk committee has extensive oversight powers (4.17) and must:

* Review the external auditor’s plan each year
* Review the annual report and accounts
* Review the auditor’s findings and actions taken by your trust’s managers in response to those findings
* Assess the effectiveness and resources of the external auditor. Considerations may include:
* The auditor's sector expertise
* Their understanding of the trust and its activities
* Whether the audit process allows issues to be raised in a timely way
* The quality of auditor comments and recommendations in key areas
* The personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, your trust's managers
* The auditor's use of technology
* Produce an annual report of the committee’s conclusions to the trustees and members, including recommendations on:
* Whether to reappoint or dismiss the external auditor
* How much to pay the external auditor

**Other, minor changes introduced in the handbook**

The other changes from the 2019 to 2020 handbook are relatively minor - they mostly either add additional details or change the wording of certain paragraphs.

We've listed these changes below so you know what else is different.

The minor changes

* Requirement for your trust to publish its whistle-blowing procedure on its website (2.44)
* Trusts have already been warned against becoming overdrawn, but the handbook now explains that doing so could breach restrictions on borrowing (2.24)
* There's new text on the board and committee responsibilities for risk management (2.38), specifically that:
* Trustees maintain overall responsibility for risk management and maintaining the risk register
* Trustees must review the register at least annually (in addition to any reviews by individual committees)
* Risk management covers the full operations of the trust, not only financial risks
* Clarification that internal scrutiny covers both financial and non-financial controls (3.1)
* Confirmation that trustees must keep members informed about trust business. This includes providing audited accounts to members - this was already a requirement under the Companies Act and in the 2019 handbook but has been highlighted again in the section called 'Working with the trustees' (1.8)
* Confirmation that trustees must keep the register of interests up to date (5.46) (in the 2019 handbook this was a 'should')
* The financial control framework must now include maintaining a fixed asset register (2.7)

The really minor changes

* Larger trusts should seek CFOs with qualified accountancy qualifications from professional bodies (e.g. the ICAEW, ACCA, CIMA or CIPFA), and all trusts should encourage their current CFO to maintain continuing professional development (1.37 to 1.38)
* Trusts are encouraged to use the government's guidance on integrated curriculum and financial planning to create the best curriculum for pupils with available funding (2.13)
* Trustees should challenge pupil number estimates and review them termly (2.12)
* Trust funds must not be used to purchase alcohol, except for use in religious services (2.35)