Academies Accounts Direction

‘At a glance’ overview

May 2013
What is the Academies Accounts Direction?

The Accounts Direction is an information pack for academy trusts and their auditors. It describes the required form and content of their annual report and financial statements (accounts) for the period ending 31 August 2013. It contains model accounts, explanations of the elements of the accounts and information on some common accounting issues. It confirms the requirements for an annual audit of the accounts and identifies the aspects on which auditors must give an opinion. It also gives information on the requirement for an annual audit of regularity.

What do academy trusts have to do, and by when?

Academy trusts must submit audited accounts for the period ending 31 August 2013 to the EFA by 31 December 2013. Academy trusts should therefore ensure they have in place an accounts preparation and audit timetable that enables them to meet this deadline.

They should submit their accounts to the EFA by email, as a signed pdf file, to: AcademiesFinancialMonitoring.EFA@education.gsi.gov.uk.

Academy trusts must publish their accounts on their websites as soon as possible after approval by the trustees, but by no later than 31 May 2014.

Academy trusts must also file their accounts with Companies House by the statutory deadline. For most trusts, this will be 31 May 2014.

What do new academy trusts have to do?

This depends on the date that the academy trust was incorporated (registered) as a company at Companies House. A new academy trust incorporated on or before 28 February 2013 should prepare its first accounts to 31 August 2013. New academy trusts incorporated on or after 1 March 2013 may, if they wish, defer preparation of their first accounts until 31 August 2014.

If the period since incorporation as a company is greater than twelve months, the new academy trust must file their accounts with Companies House within 21 months of incorporation, or within three months of the end of the accounting period, whichever is later.

Who is the Accounts Direction for?

It is primarily for academy finance staff carrying out the technical work to prepare the accounts, and for their auditors. It is also relevant to academy trustees since they are responsible for approving the accounts, and for accounting officers (principals and chief executives), who will want to be familiar with the broad requirements and timetable. This
includes a requirement for accounting officers to sign an annual statement on regularity, propriety and compliance.

**Why is there an Accounts Direction?**

Academy trusts are charitable companies and are subject to a range of statutory and regulatory requirements. Academy trusts must follow a hierarchy of rules and documents in relation to the preparation of accounts. The Accounts Direction helps academies by bringing these requirements together into one place:

- The Companies Act 2006 sets out the statutory requirement to produce accounts that are true and fair, and to have them audited.
- UK accounting standards convert the Companies Act's requirements into detailed accounting rules.
- The Charity Commission's Statement of Recommended Practice (SORP) translates these rules into a form relevant to the charities sector.
- Finally, there is the Accounts Direction, which takes the SORP and translates it into a form relevant to academy trusts.

The Accounts Direction is re-published annually to reflect changes in reporting requirements.

**Is it a requirement to follow the Accounts Direction?**

Yes. Academy trusts are legally required to produce annual audited accounts and this is also a condition of their funding agreement. The funding agreement requires academy trusts to prepare the accounts in a form and manner directed by the Secretary of State in accordance with the SORP. The Accounts Direction sets out the required form and manner and is therefore a key part of the regulatory framework for academy trusts.

However, the Accounts Direction is not exhaustive and academy trusts should also have regard to wider accounting principles, the requirements of UK accounting standards and the SORP itself when preparing their accounts. If uncertain about any aspect of financial reporting, trusts should discuss this initially with their auditors.

**Why have you published this now?**

The Accounts Direction is re-issued annually. From 2012 to 2013, EFA has made a public commitment to publish it three months before the end of the year to which it relates, so that academy trusts and auditors have time to review the requirements and plan their work.
How have you taken account of academies’ views?

The Accounts Direction has been developed in consultation with two working groups of academy finance staff, chaired by academy financial directors. The working groups’ responsibilities included making recommendations to the EFA about the content of the Accounts Direction. We have also involved audit firms, particularly on the regularity audit guidance.

What has changed in this year’s edition?

Key changes include:

- **simplification** of some of the language to set the requirements in their context and to make the document more accessible to new users and non-accountants unfamiliar with the key concepts;
- re-working of the section on the **statement of financial activities** to aid understanding of its purpose and constituent parts;
- additional guidance on the treatment of **income** including grants and donations, and on the carry forward and abatement of GAG;
- a clarification of the disclosure requirements for **staff trustees**;
- changes to disclosure requirements for **multi-academy trusts** in relation to the financial performance of individual academies within the trust, and of central services;
- improved information relating to the interlocking roles of **trustees, directors and governors**;
- guidance on the scope for preparing **dormant accounts**;
- the introduction of a date by which academy trusts must **publish their accounts on their website** (31 May 2014);
- full incorporation of the requirement for **regularity reporting**, including guidance;
- changes to the **format, ordering and cross-referencing** of the chapters, and the introduction of ‘bookmarks’ so that it is easier to move between key topics.

Why must academy trusts disclose staff trustees’ remuneration?

Unlike directors of commercial companies, it is not normal practice for charity trustees to receive remuneration or other benefits from the charities for which they are responsible. Where such remuneration or benefits do arise, the SORP requires detailed disclosure in the charity’s accounts. This includes academy trustees. Since last year the EFA has consulted at length with the Charity Commission on this matter but is unable to waive the requirement. The EFA has established a working group of academy representatives to
review reporting requirements in light of academies’ characteristics and changes to UK accounting standards.

Why are there new disclosure requirements for multi-academy trusts?

The statutory requirement to produce accounts at the ‘trust’ level means that financial information about constituent academies within a multi- academy trust is lost unless academies make additional disclosures. Previously we overcame this with a requirement for multi-academy trusts to include a full ‘funds note’ in the accounts for each of their academies. However, this could become large and unwieldy. We have therefore replaced it with summary disclosures of costs and fund balances for each academy. Maintaining some limited disclosure in this way facilitates transparency and comparability between the accounts of single-academy trusts and those of multi-academy trusts.

The accounts now also include information on central services that multi-academy trusts provide to their academies so that readers can better understand the contribution made by the trust.

Why must trusts have both a regularity audit and an accounts audit?

The audit of the accounts is focused primarily on whether the accounts give a true and fair view of the financial performance and position of the trust. Beyond this, there is a parliamentary expectation that public bodies, including academy trusts, will use funds for the purposes intended. This is ‘regularity’. The 2012 to 2013 regularity audit of academy trusts assesses whether there is any suggestion that academy trusts have not applied funds as intended. To this extent it remains a ‘limited assurance’ engagement.

Both audits are carried out at the same time and there will be overlap in the testing required.

The Accounts Direction provides guidance for both accounting officers and auditors in forming their conclusion.

How does the Accounts Direction relate to the Accounts Return?

The Accounts Direction describes the requirements for preparing statutory accounts for the period ended 31 August. The Accounts Return is a separate document that academy trusts have to complete to satisfy the requirement to consolidate their accounts into those of the DfE for the year ended 31 March. The EFA will continue to issue separate guidance for preparing the Accounts Return. The same working group of academy staff that developed the Accounts Direction are also working with the EFA on the development of the Accounts Return.
Why is it so long?

Around a third of the Accounts Direction consists of model accounts in their statutory form. We have also included more information on the regularity audit in response to feedback from the sector. We have changed the format to make it more user-friendly, but this has meant an increase in length.

Who should I contact if I have further questions?

Academy trusts should raise technical queries with their professional financial advisors or auditors in the first instance. After this, if you still need clarification from the EFA, please contact the Academies Enquiries Service.