



Audit findings report

TVI Learning

Year ended 31 August 2023



The Board of Governors
TVI Learning
Bastable Avenue
Barking
Essex IG11 0LG

Our ref: OPTH10/SB

1 December 2023

Dear Sirs/Mesdames

AUDIT FINDINGS REPORT – TVI Learning

During the audit of the financial statements for the year ended 31 August 2023, we examined and sample tested the accounting systems which the academy trust has established to ensure that the accounting records are accurate and reliable and to ensure that its assets are safeguarded.

We enclose a report which details weaknesses in accounting and internal controls which came to light during the course of the audit.

The report includes explanations of how the weaknesses could affect your business and our recommendations on how to improve the systems – see appendix 1 - 4.

We have also included in this report a schedule showing the adjusting and unadjusted journals found during the audit – please see appendix 5.

Our report also includes details of recently released accounting standards and legislation which we would like to bring to your attention – see appendix 6. This section is for information only. Appendix 7 also lists all the “musts” that are included within the Academy Trust Handbook 2023.

We would like to take this opportunity to thank you and your staff for the assistance given to us during the course of the review.

If you wish to discuss any of the issues raised in the attached appendices in more detail, please do not hesitate to contact us.

Please note that the report has been prepared for the use of the Governors only.

Yours faithfully



AZETS AUDIT SERVICES

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1. Scope of the audit

Our audit was carried out in accordance with Auditing Standards and with reference to the legal and regulations requirements as detailed in Section 3 of this report. Our audit approach is designed to ensure that our tests are focused in those areas where in our judgement the risk of errors is high, and where the likely impact of such errors would be significant. More specifically, this involved:

- a. Subjecting systems, controls, transactions and balances to substantive testing on a sample basis;
- b. Revising our audit plan for any significant financial matters;
- c. Subjecting the financial statements to detailed analytical review, examining key ratios, trends and other statistics, obtaining and testing explanations for any unusual or unexpected variations;
- d. Reviewing minutes of meetings;
- e. Reviewing statutory financial statements where prepared by the Academy.

It must be appreciated that the matters dealt with in this report arose from the conduct of our normal audit procedures which are designed primarily to enable us to express an opinion on the financial statements of the Academy and do not necessarily involve an examination of all aspects of your internal control procedures. The responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with Governors.

For the above reasons, our comments cannot be regarded as a full analysis of all the weaknesses or irregularities in the system of internal control or of all the financial trends or other performance data relevant to the Academy which might be disclosed by a more detailed review nor, since we are not specifically required to search for fraud, can our audit be relied upon to disclose such matters. However, our audit was planned so that we would have reasonable expectation of detecting material misstatements of the financial statements.

This report has been prepared for the private use of the Governors and its contents may not be disclosed to any third party without our express written consent. We assume no responsibility to any other person.

2. Independence Issues

On 26 June 2023 we wrote to you identifying our perception of the principal threats to our objectivity and independence in carrying out this audit, along with the safeguards in place to mitigate those threats.

The principal threats and safeguards are repeated below:

Principal threats	Safeguards Implemented (and why they are considered effective)
<p>We are responsible for the preparation of the financial statements in addition to carrying out the audit. The service will not involve initiating transactions.</p> <p>There is a threat that, as a firm, we are perceived as being too closely aligned with the views of management to provide an independent review and/or that members of the audit team could be reviewing their own accounting work.</p>	<p>It is agreed that a senior staff member who is not involved in the audit, will carry out a review of the financial statements. This will mitigate the threat of being too closely aligned with management and ensure that all accounting judgements are impartial and that the service is just one of a technical nature.</p>
<p>We are responsible for the preparation of the Corporation Tax Return and the calculation of the associated tax liability in addition to carrying out the audit. However, as trustees you remain responsible for both accounts and your Tax Returns. As independent auditors we cannot take any decisions that rightfully belong to management. Accordingly, if there are any decisions relating to the accounts or treatment of items on the Tax Return we will explain your options in layman's terms.</p> <p>However, you must make the ultimate decision.</p> <p>There is nevertheless a threat that, as a firm, we become perceived as being too closely aligned with the views of management to provide an independent review and/or that members of the audit team could be reviewing their own tax work.</p>	<p>We have extended the cyclical inspection of our completed audit engagements that is performed for quality control purposes to include a random selection of audit engagements where non-audit services have been provided.</p> <p>This independent review will comment on whether the safeguards being implemented by the firm on all audit clients are sufficient to address the threats identified.</p> <p>The independent review will also comment on whether audit work is being conducted in accordance with relevant standards and will ensure that sufficient audit work has been carried out, regardless of who prepared the original data.</p>

We consider that the safeguards in place have been sufficient to ensure our independence and objectivity has not been compromised during the course of the audit.

3 Compliance with Legal and Regulatory Requirements

In undertaking our work, we reviewed compliance with the following legal and regulatory requirements:

- Relevant Academies Accounts Direction issued by the ESFA
- Applicable accounting standards (UK Generally Accepted Accounting Practice)
- Companies Act 2006
- Charities Statement of Recommended Practice (SORP) 2019

No matters came to our attention that suggested any significant breach of these requirements

Appendix 1 – Executive Summary

From the review performed, the issues noted during the review are as documented below (High, Medium, Low, Advisory)

Issues identified in current year audit

Issue	Basis	Recommendation	Management Response
Tendering procedures were reviewed and we were able to see tenders for both the demountable project and the boiler project, however we note the point highlighted by internal auditors in relation to catering services and no apparent tender in place.	Best practice	We understand from discussions that controls are being tighten on tenders, therefore our only suggestion is that these controls are evident so the trust can ensure it can demonstrate value for money is being considered.	Directors discussed the catering contract in terms of value for money and the level of service and it was agreed to continue for 1 more year. It has been noted and agreed that a more formal pricing check/tender would be obtained before any future contract is agreed.

Unresolved issues from previous years

Issue	Basis	Recommendation	Management Response
Internal scrutiny throughout the year should be driven by the trust's risk register.	Legal requirement	We recommend the risk register is used as a tool to drive internal and external reviews on the trust's controls throughout the year. This link to the risk register should be clearly evident.	Noted and agreed. Directors will examine and update the risk register at least annually. At Directors and FPPC meetings any relevant risks will be referred to the external reviewer/internal control for advice and guidance.
KPIs should be considered as part of management accounts on a regular basis. Management accounts should also include a balance sheet and cash flow forecast to ensure compliance with the Academy Trust Handbook.	Legal requirement	We understand from discussions that some rectification and updates have been made, however we recommend that Governors ensure monthly management accounts are prepared in accordance with the Academy Trust Handbook 2023 s.2.18 and include: income and expenditure, variation to budget, cashflows and balance sheet.	Noted. It has been agreed by Directors that full KPIs will be produced termly and evaluated as part of the FPPC and BD meeting. Balance Sheet will now for part of monthly Management Accounts. Cashflow is reported monthly.

<u>Fixed asset register</u> Movements in fixed assets for additions and depreciation charge were not made during the year.	Best Practice	Any fixed asset movements (additions, disposals, depreciation) should be recorded on the register when applicable throughout the year. Repairs and maintenance codes should be reviewed on a monthly basis to see if any items are above the capitalisation threshold and therefore requiring adjustment.	Noted. As the new classroom was not completed until 31 st August the Asset register was not updated. Training has since been undertaken by the SBM. Further assistance will be provided if required to ensure that this is not the case in future years.
<u>Accruals</u> Accruals were not posted as part of year end procedures, therefore requiring adjustment during the audit.	Control requirement	Accruals should be posted (to the extent possible) to ensure the trust's financial position can be accurately reflected.	The Trust will attempt to close the year off earlier in 23/24 in order to avoid this happening in future years. The difficulties in a short turn around was discussed at Directors and it was agreed to slow down/stop purchasing from June 24.

Reviewed by the Board of Trustees and signed on their behalf



.....
Name: JAMIE JOYES

.....
Date: 07 December 2023

Appendix 2

Issues identified in current year audit

Advisory

1. Tendering procedures

1. Tendering procedures

Observation

Tendering procedures were reviewed and we were able to see tenders for both the demountable project and the boiler project, however we note the point highlighted by internal auditors in relation to catering services and no apparent tender in place.

Issue

The trust has policies to ensure best value is achieved and tenders / contract consideration form part of this process.

Recommendation

We understand from discussions that controls are being tighten on tenders, therefore our only suggestion is that these controls are evident so the trust can ensure it can demonstrate value for money is being considered.

Appendix 3

Unresolved issues from previous years

Medium Risk:

1. Internal scrutiny

Low Risk:

2. Management accounts
3. Fixed asset register
4. Accruals

1. INTERNAL SCRUTINY

Observation

The programme for internal scrutiny does not appear to be based on the key risks within your risk register

Issue

Per the Academy Trust Handbook:

*3.3 The trust **must** identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.*

*3.8 The audit and risk committee **must**:*

- oversee and approve the trust's programme of internal scrutiny*
- ensure that risks are being addressed appropriately through internal scrutiny*
- report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks*

Recommendation 2022:

We recommend that the committee review the Trusts risk register and in conjunction with their internal reviewer(s) devise a programme across the year that will review all the main risks both financial and non-financial.

Observation 2023:

Key risks per the risk register include data security and cyber risk. These risks appear not to have been reviewed when considering the internal assurance programme.

Recommendation 2023:

We recommend that the committee review the Trusts risk register and in conjunction with their internal reviewer(s) devise a programme across the year that will review all the main risks both financial and non-financial. This link to the risk register should be evident.

2. MANAGEMENT ACCOUNTS

Observation

Management accounts did not consider KPIs on a regular basis as required by the Academy Trust Handbook.

Management accounts should also include a balance sheet and cash flow forecast to ensure compliance with the Academy Trust Handbook.

Issue

Per the Academy Trust Handbook:

*2.18 The trust **must** prepare management accounts every month setting out its financial performance and position. Management **must** take appropriate action to ensure ongoing viability.*

*2.19 Management accounts **must** be shared with the chair of trustees every month irrespective of the trust's size, and with the other trustees six times a year, even if they do not meet in each of those months. The board **must** consider these when it does meet, and minute it.*

*2.20 The board **must** ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.*

*2.21 The format of monthly management accounts **must** include an income and expenditure account, variation to budget report, cash flows and balance sheet.*

*2.22 The trust **must** select key financial performance indicators and measure its performance against them regularly, including analysis in its annual trustees' report as explained in the Accounts Direction.*

2.23 Where the board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place.

Recommendation 2022:

We recommend that Trustees set the KPI's they would like to monitor and these are reviewed on a regular basis (usually quarterly).

We further recommend that the format of monthly management information is reviewed to ensure compliance with the Academy Trust Handbook.

Observation 2023:

We acknowledge that KPI's have been reviewed periodically during the year, and that a cashflow forecast is included as part of monthly management accounts.

However as a balance sheet is not included within the monthly management accounts during the year, this issue is only partly resolved.

Recommendation 2023:

We recommend that the format of monthly management accounts is reviewed to ensure compliance with the MUST requirements within the Academy Trust Handbook.

3. FIXED ASSET REGISTER

Observation

Fixed asset additions, depreciation charge and disposals are not reflected within the fixed asset register during the year.

Issue

The Governors are responsible for safeguarding the assets of the academy.

Due to the nature of the Academy's activity and the number of people who have access to building and assets, the opportunity for persons to misappropriate assets is high. The Academy has no means to control all the assets owned unless there is a comprehensive list of all items that agrees to the value shown in the accounts.

Fixed asset registers can also be used in the event of an insurance claim if property and fixtures have been destroyed by fire.

The posting of such movements during the year also ensures that the impact of the movements is reflected in the level of available reserves shown within monthly management information reviewed during the year.

Recommendation 2022:

We recommend that an asset register is maintained, reviewed and reconciled to the accounts.

We recommend that any capital additions are reflected within the accounting system as well as fixed asset registers as and when they are acquired.

Depreciation charges should also be reflected as part of monthly processes.

Observation 2023:

Whilst we acknowledge that an asset register was provide, in year movements for additions, disposals and depreciation were not reflected within the trial balance provided meaning that the register did not initially reconcile to the year-end trial balance.

Recommendation 2023:

We recommend that fixed asset movements are posted to the accounting system periodically, and that reconciliations between the register and TB are carried out to ensure figures are accurate.

4. ACCRUALS

Observation

It was found that accounting adjustments for balance sheet movements (in particular accruals & deferred income) are not being regularly made during the course of the year and are therefore being adjusted for through auditor postings.

Issue

Currently the impact of such balance sheet postings are not being reflected within the monthly financial information being reported to trustees, meaning the exact level of reserves held by the academy is unknown until the year end auditor adjustments are made.

Recommendation 2022:

We recommend that accruals, prepayments, and other balance sheet journals are recognised when transactions occur.

Observation 2023:

Improvements have been seen, however accruals are not always included which has resulted in adjustments required via auditor correction journals.

Recommendation 2023:

As part of year end procedures, consideration should be given to post year end invoices (already received as well as those expected), to ascertain whether they relate to in year costs that should be reflected through accrual adjustments.

This is particularly important for known capital works being carried out during the Summer holidays as these tend to be largely value items.

Appendix 4

Resolution of previous years issues

1. Pecuniary interest forms

1. Pecuniary Interest Forms

Observation 2022

Currently the members, Trustees and senior leadership team complete a pecuniary interest form but there is no evidence that potential conflicts with their spouse or children's employment is considered.

Issue 2022

If the Trust is unaware of the relationship then it is hard to ensure that they are paying no more than cost for the goods or services.

Per the Academy Trust Handbook:

*5.49 Subject to sections 5.54 to 5.57 a trust **must** pay no more than 'cost' for goods or services ('services' do not include contracts of employment) provided to it by the following persons ('persons' meaning both individuals and organisations):*

- *members or trustees of the academy trust*
- *individuals or organisations related to a member or trustee of the academy trust. For these purposes the following persons are related to a member, or trustee:*
 - *a relative of the member or trustee. A relative is defined as a close member*
 - *of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner*
 - *an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee*
 - *a company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company*
 - *an organisation controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation can secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes*
- *any individual or organisation given the right under the trust's articles of association to appoint a member or trustee of the academy trust; or any body*
- *connected to such individual or organisation*
- *any individual or organisation recognised by the Secretary of State as a*
- *sponsor of the academy trust; or any body connected to such individual or organisation.*

5.54 The 'at cost' requirement applies to contracts with a related party agreed on or after 7 November 2013.

5.57 For academies with a religious designation, the provision of services to protect and develop their religious character and ethos, which can only be provided by their religious authority, are regarded as meeting the "at cost" requirement.

Pecuniary Interest Forms (continued)

Recommendation 2022

We recommend that the committee review the layout of the pecuniary interest form and ensure it is sufficient to capture the data needed above.

ISSUE RESOLVED

Appendix 5

Correcting and uncorrected misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Details of items corrected following discussions with you and your team are as below:

Corrected misstatements

No	Detail	Income and Expenditure		Balance Sheet		Surplus effect £
		Dr £	Cr £	Dr £	Cr £	
	Deficit as presented for audit planning					(223,272)
	Adjustments:					
1	Depreciation	122,882	-	-	122,882	(122,822)
2	Recognise capital additions (including accrual)	-	425,397	441,193	15,796	425,397
3	Capital disposal per Fixed Asset Register	87,073			87,073	(87,073)
4	Adjustment to reflect year end stock		14,881	14,881		14,881
5	Reverse safeguarding accrual from 2022		7,620	7,620		7,620
6	Correct retention reversal by client	14,756			14,756	(14,756)
7	Capitalise prior year professional fees		14,270	14,270		14,270
8	Recognise LA capital grant received post year end		31,053	31,053		31,053
9	Recognise accrued income against CIF expenditure		81,748	81,748		81,748
10	Recognise rates debtor		9,764	9,764		9,764
11	Accrue and capitalise demountable professional fee invoices post year end			21,693	21,693	-
12	Capitalise retention on current year CIF projects			22,817	22,817	-
13	Recognise accrual for IC06 demountable works			60,350	60,350	
	Rounding (accounts in £'000)	-	-	-	-	(810)
	Surplus/(deficit) per draft accounts					136,000

Uncorrected misstatements

There were no non-trivial uncorrected misstatements discovered during the course of our audit.

Appendix 6

Emerging Issues for Information Only

1. Academy Trust estate management
2. Skills and experience
3. Reminder – Accounting Officer and Chief Financial Officer should not be the same individual
4. Board meetings
5. Budget Forecast Return
6. Change in management account circulation
7. Electric Vehicle (EV) Salary Sacrifice schemes
8. Related Party transactions
9. Notice to Improve
10. ESFA good practice guides
11. VAT

1 Academy Trust Estate Management

An academy trust's estate is both an asset and a mechanism to deliver outcomes for pupils. The DfE expects academy trusts to manage their school estate strategically and effectively and maintain their estate in a safe working condition.

This includes complying with statutory duties to ensure the health and safety of building occupants. Trusts should ensure they are aware of and are applying the following guidance relevant to estates safety and management:

- a. advice, standards and tools for academy trusts at Good Estate Management for Schools, including guidance on an estates strategy and asset management plan, and the Estate management competency framework for standards on the skills and knowledge needed for individuals at all levels.
- b. the Condition Data Collection (CDC) process which helps DfE understand the condition of government funded schools across England for the purposes of targeting funding where it is needed most.
- c. Reinforced Autoclaved Aerated Concrete (RAAC) guidance. RAAC is a weaker form of concrete used in floors, walls, and roofs of buildings constructed or modified between the 1950s and mid-1990s and could pose a particular risk.
- d. School Capital Funding guidance, who it's for, current and past allocations, how it's calculated and spending guidance.
- e. Condition Improvement Fund including links to terms and conditions.

Further information and guidance is available from The Trust Network, which is run by trusts for trusts to help its members develop effective, efficient, and economically sustainable estates and safety management.

2 Skills and experience

The board should identify the skills and experience it needs, including sufficient financial knowledge to hold the executive to account. The board should also address this for committees/local committees/local governing bodies.

New trusts in their first year **must**, and established trusts should, include in their governance statement, an assessment of their governance structure, including a review of the board's composition in terms of skills, effectiveness, leadership and impact.

Find out more about this and questions for the board to ask itself about its governance arrangements in the DfE School resource management self-assessment checklist.

3 Reminder – Accounting Officer and Chief Financial Officer should not be the same individual

The board of trustees **must** appoint, in writing, a senior executive leader, who may be appointed as a trustee. In single academy trusts this should be the principal. In trusts with multiple academies, it should be the chief executive or equivalent.

The board **must** also appoint, in writing, a named individual as its accounting officer. This should be the senior executive leader. The individual **must** be a fit and suitable person for the role. The roles of senior executive leader and accounting officer **must** not rotate. The roles of accounting officer and chief financial officer should not be occupied by the same individual. The accounting officer should be employed by the trust. The trust must obtain prior ESFA approval, if it is proposing, in exceptional circumstances, to appoint an accounting officer who will not be an employee.

The board **must** appoint a chief financial officer (CFO) to whom responsibility for the trust's detailed financial procedures is delegated. The CFO should play both a technical and leadership role. The CFO should be employed by the trust, and the trust **must** obtain prior ESFA approval, if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee.

4 Board meetings

NOTE: trusts no longer need to provide an explanation in their governance statement where the board has not met at least 6 times in the year

Board meetings **must** take place at least three times a year, although trusts should consider meeting more frequently to discharge their responsibilities.

5 Budget Forecast Return

The academy trust **must** submit to ESFA, in a form specified by ESFA, an Academies budget forecast return (BFR) by the end of August in accordance with deadlines published annually.

This **must** be approved by the trustees before submission.

The board of trustees **must** notify ESFA within 14 calendar days of its meeting, if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook.

6 Change in management account circulation

The ATH change means simplifying the position on the preparation and circulation of management accounts, including more discretion for trusts.

Previously “Management accounts must be shared with the chair of trustees every month irrespective of the trust’s size, and with the other trustees six times a year, even if they do not meet in each of those months. The board must consider these when it does meet, and minute it.”

Now: Management accounts must be shared with the chair of trustees every month and the board must consider these when it meets and be assured that it has appropriate oversight of the trust’s financial position.

7 Electric Vehicle (EV) Salary Sacrifice Schemes

Electric Vehicle (EV) salary sacrifice schemes do not need ESFA approval where no liability falls on the trust if an employee does not fulfil their contractual obligations with the scheme provider. For other types of EV salary sacrifice schemes, or where the trust is under an Ntl, prior ESFA approval **must** be obtained.

8 Related Party Transactions

Trusts must report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing or being renewed, using ESFA’s related party on-line form.

Trusts must obtain ESFA’s prior approval, using ESFA’s related party on-line form, for contracts and other agreements for the supply of goods or services to the trust by a related party agreed on or after **1 September 2023 where a contract or other agreement exceeds £40,000 in the same financial year ending 31 August**.

This approval requirement does not apply in the following circumstances:

- f. contracts and other agreements for the supply of goods or services to a trust by the following educational establishments:
 - g. colleges, universities and schools which are sponsors of the academy trust
 - h. state funded schools and colleges, including academies.This concession does not apply to transactions with a subsidiary of such a related party.
- i. the provision of services to an academy trust with a religious designation, for essential functions fundamental to the academy trust’s religious character and ethos which can only be provided by their religious authority.

For the purposes of reporting to and approval by ESFA, contracts and agreements with related parties do not include salaries and other payments made by the trust to a person under a contract of employment through the trust’s payroll.

9 Notice to Improve

Where DfE/ESFA has concerns about financial management and/or governance in an academy trust, the department may issue, and publish, a Notice to Improve (Ntl).

Examples of when a Ntl might be issued on financial management grounds include:

- j. an actual or projected deficit
- k. cash flow problems
- l. insolvency risk
- m. irregular use of public funds
- n. poor internal scrutiny
- o. breaches of related party requirements.

Examples of when a Ntl might be issued on governance grounds include:

- p. the trust board not being properly constituted
- q. trustees failing to comply with their safeguarding duties
- r. trustees lacking the skills, knowledge and experience to exercise effective oversight of the trust's operations and performance, including educational performance.

A Ntl describes what a trust must do to address concerns about financial management or governance. The trust must comply with the Ntl. Failure to comply will be deemed a funding agreement breach. The funding agreement may be terminated due to non-compliance with a Ntl.

If a Ntl is issued, the delegated authorities may be revoked, and all transactions of this nature must be approved in advance by ESFA, specifically:

- s. special staff severance payments
- t. compensation payments
- u. writing off debts and losses
- v. entering into guarantees, indemnities or letters of comfort
- w. disposals of fixed assets beyond any limit in the funding agreement
- x. taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement
- y. carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement
- z. pooling of GAG.

The trust may also be prevented from entering into transactions with related parties without approval. These delegated authorities shall be returned once the Ntl has been complied with, and improvement is sustainable.

The department will notify the trust of the date on which the department has published the Ntl. The trust must then publish the Ntl on its own website within 14 days and retain it on the website until the Ntl is lifted by the department.

10 ESFA good practice guidance

The ESFA have issued a number of good practice guides. They do not replace or modify any requirements set out in the Academy Trust Handbook and the Academies Accounts Direction. They aim to provide suggestions about good practice.

Currently the following is available as a good practice guide:

- Streamlined Energy and Carbon reporting
- Operating an academy trust as a going concern
- Choosing an external auditor for an academy trust
- External audit procurement key information
- Academy trust deficit recovery
- Academy trust risk management
- Leasing guidance for academy trusts
- Academy trust management accounting
- Internal scrutiny in academy trusts
- Academy trust management letters
- External audit preparation checklist for academy trust guidance
- External audit preparation checklist
- Tendering 'jargon busting' guide for academy trusts

11 VAT – audit review

The academy is currently not VAT registered and reclaiming VAT via the Form 126.

Our audit does not examine VAT in detail and our audit procedures are not designed to detect immaterial fraud or error. Therefore, we have not reviewed individual streams of income to:

- a. Assess whether the academy is over the VAT registration threshold
- b. Ascertain whether the VAT reclaimed is correct

There are a number of income streams that may be liable to VAT, we have provided some common areas below, but please note this is not an exhaustive list:

1. Contracts whereby you receive commission or the net of income/costs for items such as uniform. The contract may be worded in such a way that you are actually the primary supplier and not an agent, if this is the case then you may be liable to register and charge VAT on these items.
2. The sale of meals to staff is a supply liable to VAT. The VAT treatment of outsourced catering contracts means that an Academy will act as principle in the sale of all meals. The sale of a meal to a member of staff (not a duty meal) will count towards the VAT registration limit
3. Certain supplies under salary sacrifice schemes can have a VAT implication either as the amounts count towards the VAT registration limit or VAT on expenses could be restricted.
4. Although the majority of income from letting the premises will be exempt depending on the exact nature of the “let” and to whom the let could be “taxable”. If additional services are supplied as a separate cost, they would be seen as taxable. Any charges for parking would be taxable.

If required Azets can organise an initial meeting with our VAT experts to discuss any potential issues or pitfalls with you.

Appendix 7

MUSTS as set out in the Academies Trust Handbook 2023

The requirements in the handbook brought together into one list: the ‘musts’. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. Links to the relevant sections are included, which must be read in full. Also provides a column to confirm if you are compliant and a column for any comments.

Schedule of Musts 2023			
These are the requirements in the Academy Trust Handbook brought together into one list: the ‘musts’. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. References to the relevant sections are included, which must be read in full. This tool is an entirely optional resource, and there is no requirement to submit it to ESFA.			
Paragraph	Requirement	In Place: - Fully compliant -Working towards - Not in place	Comments Action to take
Top 10 ‘musts’ for chairs and other trustees			
1.11 and 1.12	Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with duties as company trustees, with charity law and the funding agreement.		
2.3	Ensure the board of trustees meets at least three times a year.		
2.4	Approve a written scheme of delegation of financial powers.		
2.10	Ensure the board approves a balanced budget for the financial year and minutes their approval		
2.19 and 2.20	Share management accounts with the chair of trustees monthly and consider when the board meets, taking action to maintain financial viability		

2.27 and 2.28	Ensure decisions about executive pay follow a robust evidence-based process reflecting the individual's role and responsibilities, and that the approach to pay is transparent, proportionate and justifiable.		
3.6 to 3.13	Appoint an audit and risk committee (either dedicated or combined with another committee) to advise on the adequacy of the trust's controls and risks.		
4.4	Submit audited accounts to ESFA by 31 December		
4.14	Ensure an appropriate, reasonable and timely response to findings by auditors, taking opportunities to strengthen financial management and control		
5.39 - 5.59	Manage conflicts of interest, be even-handed with related parties, and ensure goods or services provided by them are at no more than cost, beyond the limits in this handbook		
Roles and responsibilities			
	Adhere to The 7 principles of public life		
1.1	Have the skills, knowledge and experience to run the trust		
1.3	Have at least three members but should have five or more		
1.4	Have suitability checks in place for members to ensure they are not subject to a direction under section 128 of the Education and Skills Act 2008		
1.5	Not have members as employees, nor have members occupy staff roles on an unpaid voluntary basis		
1.20, 1.37 and 2.7	Ensure regularity, propriety and value for money		

1.20	Trustees to take ownership of financial sustainability and ability to operate as a going concern		
1.23	Ensure committees contain a majority of trustees		
1.24	Not have de facto trustees or shadow trustees		
1.26	Include a review of the trust's governance structure and board composition in the governance statement when producing audited accounts for the first time		
1.27	Appoint a senior executive leader (should be principal or chief executive)		
1.28 to 1.37	Appoint an accounting officer (the senior executive leader) with responsibility for regularity, propriety and value for money and for assuring the board about compliance with the funding agreement and handbook		
1.34	Demonstrate in the governance statement how the trust has secured value for money		
1.34 and 4.12	Include a statement on regularity, propriety and compliance, signed by the accounting officer, in the audited accounts		
1.38	Appoint a chief financial officer to lead the finance department		
1.39	Have appropriately qualified and/or experienced finance staff		
1.41	Appoint a governance professional (clerk to the board)		
1.42	Be transparent with governance arrangements		

1.43 and 1.44	Publish the trust's governance arrangements in its governance statement and in a readily accessible form on its website		
1.45	Ensure governance documents are available for public inspection		
1.47	Arrange DBS checks as appropriate		
Main financial requirements			
2.1	Maintain robust oversight of the trust		
2.2	Take responsibility for financial affairs, stewardship of assets and use resources efficiently		
2.6	Have sound internal control, risk management and assurance processes		

2.7 and 2.25	<p>Establish a control framework that includes:</p> <p>ensuring delegated financial authorities are complied with, and segregation of duties maintained</p> <p>co-ordinating the planning and budgeting process</p> <p>discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations</p> <p>planning and oversight of capital projects including those relating to estates safety</p> <p>management and oversight of assets including maintenance of a fixed asset register</p> <p>regularity, propriety and value for money</p> <p>reducing fraud and theft</p> <p>independent checking of controls, systems, transactions and risks</p> <p>a competitive procurement procedure</p>		
2.8 and 2.9	Prepare and monitor financial plans to ensure the trust remains a going concern and ensure rigour and scrutiny in budget management		
2.11	Ensure budget forecasts are accurate, based on realistic assumptions and reflective of lessons learned from previous years		
2.15 and 2.16	Submit a budget forecast return to ESFA		
2.17	Notify ESFA within 14 days if proposing a deficit revenue budget for the current financial year which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook		

2.18	Prepare management accounts every month.		
2.21	Manage cash position robustly and avoid becoming overdrawn		
2.22	Have a cautious approach to investments in line with the handbook principles		
2.24	Show that public funds have been used as intended by Parliament		
2.29	Publish on trust's website the number of employees whose benefits exceeded £100k, in £10k bandings		
2.30	Ensure senior employees' payroll arrangements meet HM Treasury's tax requirements		
2.31	Obtain ESFA prior approval for EV schemes unless no liability falls on the trust if an employee does not fulfil their contractual obligations with the scheme provider		
2.32	Not use trust's funds to purchase alcohol for consumption, except where it is to be used in religious services		
2.34	Charge for boarding provision in line with this handbook		
2.35 and 2.36	Manage risks, including contingency and business continuity planning and maintain a risk register. Board to retain oversight of risk and conduct a full review of risk register at least annually.		
2.37	Have adequate insurance or be a member of DfE's risk protection arrangement		
2.39	Implement reasonable risk management audit recommendations		

2.40 to 2.44	Have published procedures for whistleblowing and respond properly and fairly		
2.45	Provide ESFA or its agents with information of sufficient quality to meet funding requirements		
2.46 to 2.50	Notify DfE via Get information about schools within 14 days of changes in information about members, trustees, local governors, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer		
Internal scrutiny			
3.1 to 3.5	Check financial and non-financial controls and risks		
3.13	Ensure information submitted to DfE and ESFA affecting funding is accurate and compliant		
3.14 to 3.17	Ensure checks are conducted by someone independent, suitably qualified and experienced		
3.14 and 3.15	Provide internal scrutiny reports to the audit and risk committee and make the findings available to all trustees promptly		
3.19	Confirm in the governance statement which internal scrutiny option has been applied and why		
3.20	Provide annual summary of internal scrutiny to ESFA by 31 December, and provide other internal scrutiny reports on request		
Annual accounts and external audit			
4.1 to 4.4	Produce audited accounts, publish on the trust's website by 31 January and file with Companies House		

4.5 and 4.6	Appoint an external auditor in writing, for the annual accounts		
4.6	Put any additional services from the external auditor in a separate letter of engagement		
4.7	Provide in the audit contract for the removal of external auditors		
4.8	Notify ESFA immediately of the removal or resignation of external auditors, and the reasons		
4.9	Prepare information, at DfE's request, for the sector annual report and accounts		
4.13	Include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit, and address the auditor's conclusions on regularity jointly to the trust and ESFA		
4.15	Audit and risk committee to review the external auditor's plan, annual accounts, audit findings, management response and effectiveness of the external auditor and produce annual report of conclusions		
Delegated authorities			
5.1 and 5.2	Obtain ESFA's prior approval for transactions beyond the trust's delegated limits		
5.3 and 5.4	Make financial disclosures in the annual accounts in line with this handbook		
5.6	Refer novel, contentious and/or repercussive transactions to ESFA for prior approval		

5.9	<p>For staff severance payments, consider the following before committing:</p> <p>whether the proposed payment is in the trust's interests</p> <p>whether payment is justified and value for money, based on a legal assessment</p> <p>review the level of settlement, which must be less than the legal assessment of what the relevant body (e.g. employment tribunal) is likely to award</p>		
5.11	Obtain ESFA's prior approval for the non-contractual/non-statutory element of a staff severance payment of £50,000 or more (gross, before deductions)		
5.12	Not accept a settlement for a staff severance payment unless satisfying the conditions in this handbook		
5.13	Obtain prior approval for special staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k		
5.14	Ensure confidentiality clauses do not prevent an individual's right to make disclosures in the public interest		
5.15	For compensation payments, base on appraisal, including legal advice, ensuring value for money		
5.16	Obtain ESFA's prior approval for non-contractual/non-statutory compensation payments of £50,000 or more		
5.18	Obtain ESFA's prior approval for ex gratia payments		
5.19 and 5.20	Obtain ESFA's prior approval for writing off debts and losses, guarantees, letters of comfort and indemnities beyond limits in this handbook		
5.23 and 5.24	Obtain ESFA's prior approval, before acquiring and disposing of fixed assets beyond limits in this handbook and ensure disposal achieves best price		

5.26 to 5.28	Obtain ESFA's prior approval for leases beyond limits in this handbook		
5.31	Consider the funding needs of individual academies if pooling GAG, and have an appeals mechanism		
5.31	Not pool PFI funding		
5.32	Ensure gifts by the trust have the decision documented, and have regard to propriety and regularity		
5.33	Obtain ESFA's prior approval before borrowing, including finance leases and overdrafts, and only use credit cards for business expenditure		
5.36	Ensure no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain		
5.36	Ensure no payments to trustees unless permitted by the articles and comply with the terms of any agreement with the Secretary of State		
5.36	Obtain Charity Commission prior approval for paying a trustee for acting as a trustee		
5.38	Ensure the board chair and the accounting officer manage their relationships with related parties to avoid real and perceived conflicts of interest		
5.39 and 5.40	Recognise that related party transactions may attract public scrutiny and require sufficient disclosure in annual accounts to support accountability and transparency		
5.41	Report all contracts and other agreements with related parties to ESFA in advance		
5.42 to 5.44	Obtain ESFA prior approval for contracts and other agreements with related parties beyond limits in this handbook subject to the exceptions in 5.42		

5.45 and 5.46	Capture in an up to date register of interests the relevant business and financial interests of members, trustees, local governors and senior employees [5.45] and interests of other individuals as described in 5.46		
1.44 and 5.48	Publish relevant business and financial interests of members, trustees, local governors and accounting officers		
The regulator and intervention			
6.2	Arrange for letters to trusts' accounting officers from ESFA's accounting officer about the accountability framework to be discussed by the board and, where appropriate, strengthen the trust's systems		
6.3	Provide DfE/ESFA with access to books, records, information, explanations, assets, premises and staff to assist with its audits		
6.4	Provide DfE/ESFA with permission for any third party to provide requested information where there are concerns or an investigation is ongoing at a trust		
6.5	Retain records for at least six years after the period to which funding relates		
6.6	Send ESFA a financial management and governance self-assessment for new academy trusts, or constituent academies joining an existing trust		
6.6	Submit school resource management self-assessment checklist to ESFA annually		
6.9	Be aware of the risk of fraud, theft and irregularity and address with proportionate controls and appropriate action		
6.10	Notify ESFA of fraud or theft over £5,000, individually or cumulatively, or of any value where unusual or systematic		
6.14	Be aware of the risk of cybercrime and put in place proportionate controls and appropriate action where a cyber security incident has occurred		

6.15	Obtain permission from ESFA before paying any cyber ransom demands		
6.17	Comply with a Notice to Improve		
6.18	Waive delegated authorities and obtain ESFA approval of certain transactions described in this handbook if the trust has an Ntl		
6.19	Publish the Ntl on the trust's website until it is lifted		
6.26	Cooperate with NAO and provide help, information and explanation		