



Assurance Framework

September 2016



Policy Document Control Sheet: Trust lead: Insert name of lead staff member Key Staff lead for insert Name of Academy: Insert name of lead staff member Portfolio Governor lead: Insert name of lead portfolio governor Status: live working document /agreed and adopted delete as appropriate		
Date	Process	Category
Insert date to and from	Consultation period	
Insert date	Approved by Stakeholders	
Insert date	Approved by NET Trust Board	
Insert date	Adopted by Governors at the local level	
Insert date	Next review date	Insert as appropriate: Mandatory: NET/Local, Discretionary: NET/Local

Introduction

The Academy Trust is an independent exempt charitable company and classified by the Office for National Statistics as a central government public sector body. While academies are responsible for their own financial management, they are subject to public standards of accountability. The Department for Education, rather than the Charity Commission, is the principal regulator of academies and is responsible for overseeing their compliance with the financial accountability framework and with charity law.

The Education Funding Agency (EFA) oversees the arrangements on behalf of the DfE that provide Parliament with assurance that academies operate to high standards of propriety and regularity. It aims to keep a reasonable balance between academy trusts' independence and the need to account for public money, and it has worked with a steering group of academy trusts to achieve a position where the accountability requirements are satisfied while the administrative burden is minimised.

The main components of the financial accountability framework and assurance arrangements are set out below.

What is an Assurance Framework?

“An assurance framework is a structured means of identifying and mapping the main sources of assurance in an organization, and co-ordinating them to best effect” – HM Treasury Guidance.

Who is this framework is for?

This framework is for academy trust accounting officers (i.e. the Chief Executive & Academy Principals), finance staff and trustees. Auditors of the Trust's accounts may also find it helpful.

The Academies Financial Handbook

The Academies Financial Handbook sets out the basic financial management, control and reporting requirements that apply to academy trusts. It describes a financial framework for trusts that reflects their accountability to Parliament and the public, and the freedoms that they can exercise in their day-to-day business. Compliance with the handbook is a condition of the Trust's funding agreement.

The handbook also describes the delegated financial authority levels that the Secretary of State for Education has given to academy trusts and the circumstances when trusts must seek the Secretary of State's consent.

The handbook is updated annually and comes into effect on 1 September each year. Each edition is developed following extensive consultation across the sector through the academies finance and assurance steering group and is based on a format introduced in 2012, with a focus on principles rather than detailed guidance.

The handbook strengthens the requirements on academy trust governance, develops the principles when trading with connected parties, and introduces a requirement that the Trust's register of interests captures all relevant business and pecuniary interests.

Financial Management and Governance Self-Assessment (FMGS)

The FMGS is a short online self-assessment checklist that highlights the main requirements new academy trusts must have in place soon after opening. The requirements within the checklist apply from the date on which the funding agreement is signed. It provides a simple way for Trustees and the EFA to gain assurance that the academy trust's financial management and governance arrangements meet these requirements.

As part of EFA's assurance programme, it may choose to visit an individual academy trust to review the evidence used to inform the self-assessment.

FMGS must be endorsed by the board of trustees or an appropriate delegated committee and be submitted to the EFA using the online form within 4 months of the funding agreement.

Alternatives to the FMGS

Individual academies joining an existing multi-academy trust which has previously prepared audited accounts and plans to adopt the same financial management and governance arrangements, the local accounting officer will need to confirm this on the online form. The EFA will then seek assurance from the audited accounts received.

The Academies Accounts Direction

The Academies Accounts Direction is the reference pack for academy trusts and their auditors to use when preparing and auditing financial statements for the accounting period ending on 31 August annually. It supplements the Academies Financial Handbook. In producing the Accounts Direction, the EFA takes requirements set out by the Charity Commission in their Statement Of Recommended Practice (SORP) and translates them into a form applicable to academy trusts.

The Accounts Direction outlines the requirements set out in academy trusts' funding agreements with the Secretary of State where each academy trust must:

- prepare an annual report and financial statements to 31 August
- have these accounts audited annually by independent registered auditors
- produce a statement of regularity, propriety and compliance and obtain a regularity assurance report on this statement from the auditor
- submit the audited accounts and auditor's regularity assurance report to the EFA by 31 December
- file the accounts with the Companies Registrar as required under the Companies Act 2006
- publish the audited accounts for the preceding academic/financial year on the trust's website by 31 January.

New academy trusts incorporated on or after 1 March may, if they wish, defer preparation of their first accounts until 31 August the following year. Trusts must contact the EFA if they intend to do this, or if they intend to prepare dormant accounts.

The Accounts Direction explains the elements the Trust must include in its annual report and financial statements and the accounting treatments required. It also provides a model format for the report and the financial statements and ensures consistency of treatment between academy trusts.

In addition to the audited financial statements, trusts are required to submit financial returns to the EFA annually.

The EFA has published a guide for academies on the Charities Statement of Recommended Practice 2015 and is effective for accounting periods starting on or after 1 January 2015.

Academy auditors

The National Audit Office (NAO), auditor of the department's group accounts which include academies' consolidated financial statements, has produced a set of group communications for academy auditors setting out in detail:

- the academy auditor's role in the department's group accounts
- NAO's expectations of academy auditors
- the risks of material misstatement in the group financial statements

Internal and External Auditors

The appointment of Internal and External Auditors will be made by the Trust with approval from the Audit and Risk Committee.

The Companies Act 2006 requires the Trust appoint an external auditor, to certify whether the accounts present a true and fair view of the trust's financial performance and position and provide an opinion with regularity and probity. These audited accounts must be submitted to EFA by 31 December each year and published on the Trust website

The academy trust must establish a control framework that recognises public expectations about governance, standards and openness. The appointed internal auditor will provide Trustees with the necessary assurances in these areas and outline recommendations to ensure continuous improvement and demonstrate Value for Money.

Fraud and financial irregularities in academies

The EFA has published resources to support academy trust accounting officers to manage their finances in a transparent and effective way, and to reduce the risk of fraud or financial irregularities. These include a list of generic indicators of potential fraud and a checklist to help review the trust's arrangements for preventing, detecting and dealing with fraud should it occur.

To reduce the risk of fraud Trusts should consider the following actions:

- ensure anti-fraud and whistleblowing policies are in place and regularly update these and communicate them to staff
- conduct regular anti-fraud awareness training events for finance staff
- highlight to staff that they can also contact the EFA with any concerns of possible irregularity or fraud
- management communications to pursue identified incidents of fraud
- ensure financial controls are regularly assessed and are well designed/implemented
- ensure there is appropriate segregation of duties in your controls
- review processes for references and background checks on new employees
- scrutinise significant business transactions and personal relationships to avoid possible conflicts of interest
- install a physical security system to protect trust assets

Related detailed guidance

- Academies financial returns - www.gov.uk/academies-financial-returns
- Academies: apply for advances of funding - <https://www.gov.uk/guidance/academies-apply-for-advances-of-funding>
- Academies severance payments - www.gov.uk/academies-severance-payments

Related Policies

Appraisal Policy
Code of Conduct (inc the Seven Principles of Public Life)
Conflicts of Interest Policy
Counter-Fraud, Corruption and Bribery Policy
Governance Statement
NET Financial Regulations
Risk Management Policy
Whistleblowing Policy

Contacts

For advice on the content of this policy please contact:

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