

M+A Partners

Academies Accounts Direction 2018-19

The Education and Skills Funding Agency (ESFA) has published its Academies Accounts Direction (AAD) 2018-19, which is applicable to academy trusts preparing statutory financial statements for the period ending 31 August 2019. Although the changes from last year's document are minimal, there are still some new requirements, along-with reminders of the important points for consideration.



Timeframes

Audited accounts are still required to be submitted to the Education & Skills Funding Agency (ESFA) within four months of the accounting period end, usually by 31 December 2019.

It is necessary for each academy trust to:

- + Prepare an annual report and financial statements to 31 August.
- + Have these accounts audited.
- + Arrange an independent review of regularity and include an independent accountant's report on regularity as part of the accounts.
- + File the accounts with Companies House as required under the Companies Act 2006.
- + Publish the audited accounts on the trust's website by 31 January.



Changes and revisions for 2018-19

Administration and circulation

A copy of the annual report and financial statements must be sent to every member of the company and to every person who is entitled to receive notice of general meetings.

Accounts Disclosure

- + There is no longer a requirement to disclose the payment dates of non-statutory and non-contractual staff severance payments; however the exact individual value of such payments should still be disclosed.
- + It is no longer necessary to submit a table in the funds note showing current year and prior 12 months combined position. Individual tables for each year are still required.
- + The tangible fixed assets categories have been aligned to those in the Sector Annual Report and Accounts.

These now include:

- + Freehold land and buildings
- + Leasehold land and buildings
- + Leasehold improvements
- + Assets under construction
- + Furniture and equipment
- + Plant and machinery
- + Computer equipment
- + Motor vehicles

Note: If any category does not apply it can be omitted.

- + A comparative position for agency arrangements and events after the reporting period should now be disclosed, along-with an updated comparative position for contingent liabilities.
- + Updating the Teacher Pension contribution element to reflect the revised employer contribution rate of 23.68% expected to be payable from 1 September 2019.
- + Amending accounting policies to take into consideration that where an asset comprises of two or more components with substantially different useful lives, for example roofs, boilers, lifts, each component must be depreciated separately over its economic life.
- + Compliance with the new requirements, from 1 April 2019, to report all transactions with related parties to ESFA and obtain approval where appropriate. Include confirmation of this in the Related Parties Note.
- + Naming the statements that are required to be included under the heading of 'other' in the Auditor's Report as:
 - + Reference and Administrative Details
 - + Report of the Directors
 - + Strategic Report
 - + Governance Statement

Accounting

- + Clarification on subsidiary trading companies and that income is only to be accrued where there is a legal obligation to make payment.
- + If an academy trust wants to recognise the use of premises, where these are given rent-free, for a remaining notice period, it should reflect the future notional donation as a debtor with a corresponding entry for the future rental expense as a creditor.
- + Presenting the model annual report and accounts and the regularity reporting section as annexes to the document rather than within the document.



Audit

- + Additional areas for the auditor to consider when testing governance to support the conclusion on regularity.

Clarifications

- + The Parliament guarantee regarding LGPS Liability in the Pensions Note should refer to academy trusts, not individual academies.
- + Grants received for capital purposes must be spent on capital projects in line with the terms and conditions of the grant.
- + Irregular expenditure includes all alcohol and any excessive gifts including those purchased from unrestricted funds.



What the changes mean for academies

As mentioned at the outset, the changes within the new AAD aren't too significant and, for many academies, will result in very few changes to their financial statements. The key point for you is to understand the implications for your academy specifically and ensure you are updating your financial statements accordingly to comply with the new directions.



Further assistance

For further information or if you have any questions about the updates within the new Academies Accounts Direction and how they will impact your academy, please contact our academy specialist:

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