

Academies insight

Academies **insight** is a newsletter specifically focused on your sector, covering all the latest updates and thoughts from the team here at M+A Partners.

Education is a dynamic field, with many newsworthy issues emerging on a daily basis; it is important to us that we highlight relevant and up-to-date matters - helping you and your academy trust respond to some of the most topical issues of the moment.

If you would like to discuss any of the articles covered in this newsletter in more detail then please do not hesitate to contact myself or one of the M+A Partners team.



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Reporting on internal scrutiny

The Education and Skills Funding Agency (ESFA) has identified that weaknesses in governance and financial forecasting have been key factors in failing academies. In response, the 2019 Academies Financial Handbook (AFH) has introduced new internal scrutiny requirements designed to both assist Boards to fulfil their responsibilities around monitoring controls and risk management and to provide the ESFA with additional information on how trusts are responding to internal scrutiny findings. Alongside the audited financial statements and external auditor's management letter, trusts will be required to submit an additional internal scrutiny report summarising the areas reviewed, key findings, recommendations and conclusions.

The AFH requires that the scope of the programme of internal scrutiny is set by an audit committee. All trusts must establish an audit committee. In trusts that have an annual income of over £50m, the audit committee must be a dedicated one, but in other trusts it can be combined with another committee. The chair of trustees should not be the chair of the audit committee.

The AFH sets out several 'musts' of the audit committee which include:

- + Having written terms of reference describing its remit;
- + Reviewing the Risk Register to inform the programme of internal scrutiny work; and
- + Reporting to the Board on the adequacy of the trust's financial and other controls.

In order to ensure those carrying out the internal scrutiny are suitably skilled, the AFH requires that internal auditors be members of a relevant professional body and, where trustees or peer reviewers are performing the work, they should have qualifications in finance, accounting or audit and appropriate internal audit experience.

For further details, please read the ESFA's internal scrutiny in academy trusts guide:

www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/internal-scrutiny-in-academy-trusts



Building your cyber defences

Cyber security within education is a hugely important issue right now with cyber attacks and scams on the increase. The Information Commissioner's Office reports that the number of data breaches has increased by 47% on the previous twelve months.

Academy trusts look after some highly important and sensitive data and correspondingly must address the risks presented by cyber crime, ensuring the overall security of their systems and the information that is held within them.

A security breach affecting student records would invite both regulatory and public scrutiny, with the possibility of strict financial penalties. In addition to the financial and reputational consequences, a breach could also result in system downtime, which in turn has an impact on delivering lessons to pupils.

Cyber security steps to take:

- + Password protection on laptops and other devices;
- + School network security training for staff and students; and
- + Clear cyber security policies that are visible to all staff and students.



Educating staff and students should be a priority, as most security breaches are due to human error; guidance could include tips on identifying safe sites and how to spot phishing attempts and other online scams.

Cyber Essentials is a good starting point for academy trusts of any size looking to address the threat of cyber crime. The Cyber Essentials Scheme was introduced by the UK Government to protect organisations against 80% of the most common cyber attacks. It covers five basic controls to put you and your trust on the path to better cyber security.

The basic Cyber Essentials scheme is based on a programme of self-assessment, to find out more visit:

www.cyberessentials.ncsc.gov.uk

Delivering value for money

When an academy trust makes a significant purchase, it is standard practice to refer to the requirements set out in the trust's Finance Policy and where applicable obtain quotes or undertake a formal tender process.

Value for money is about more than seeking the lowest price and involves evaluating the goods or services being acquired to ensure that the most beneficial outcomes are attained with efficient use of resources.

Steps to take to ensure value for money:

- + Take advantage of bulk ordering on everyday purchases;
- + Make use of the framework agreements that are available;
- + Regularly review supply contracts and make sure they deliver on agreed KPIs; and
- + Utilise educational and charity discounts.

In the 2017/18 academic year, the ESFA piloted the School Resource Management Advisers (SRMAs) project to support the department's school resource management strategy. SRMAs are practitioners, such as school business professionals and headteachers, who provide peer-to-peer, tailored advice to individual trusts on effective resource management. The SRMAs share what they have learnt from working in their own settings and the good practice they are collecting from their visits to others.

There has been no requirement for trusts to have an SRMA visit however, accepting SRMA 'support' is now a condition of some grant funding, including those that are successful with a Condition Improvement Fund bid (although the ESFA maintain that it remains the responsibility of the trust to decide which of the SRMA's recommendations are implemented).

Off-payroll working rules

From April 2020, the off-payroll working rules will be extended to the private sector, including academy trusts.

The aim of the off-payroll working rules are for the individual organisation to deduct tax and NI at source, from the amount paid to an 'intermediary' (consultant, contractor or freelancer), if they determine the IR35 rules apply.





Calculating holiday pay for workers without fixed hours

Prior to March 2018, the standard calculation for calculating holiday pay for those working irregular hours was a payment of 12.07% of annual hours.

This figure has now increased to 17.5% of term-time employees who work irregular hours.

The calculation:

- + The working year = 46.4 weeks.
- + The working year for state sector = 39 weeks. (this figure can be substituted if the number of working weeks differs).

Therefore:

- + $46.4 \div 39 \text{ weeks} = 1.19$
- + $1.19 \times 12.07\% = 14.4\%$

The 12.07% calculation can still be applied to workers with regular hours, both full and part-time.

It is important to correctly calculate holiday pay for those working irregular hours to avoid claims for unauthorised deductions. It may be more effective to move away from zero-hour contracts and instead use casual worker agreements.

To discuss any queries you may have around the new off-payroll working rules or calculating holiday pay for irregular workers, please get in touch with **Heather Smith** our Payroll Manager.

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IR35 does not apply when the 'intermediary' is on the payroll or on an agency payroll, where all payments are already subject to the deduction of PAYE tax and NI. Even if the contractor is from an agency, it is still the end user's responsibility to advise the agency, as well as the contractor, whether the off-payroll working rules apply.

This additional compliance accountability will place further demands on resources and it is important to be prepared.

Steps to take:

- + Identify any contractors currently used that fall under the new rules, review the contracts in place;
- + Ensure processes are in place to identify 'intermediary' costs and make sure the correct details can be passed to payroll to make the necessary deduction calculations; and
- + Review systems to provide protection against agencies transferring PAYE liabilities back to your organisation.



For enquiries about our services to academy trusts, please do not hesitate to get in touch with **Frank Shippam** or one of the team here at M+A Partners.

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