

Frassati Catholic Academy Trust

Internal Scrutiny Annual Summary Report

Year ended 31 August 2021

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Executive summary

ESFA requirements

The ESFA requires that the organisation carrying out the programme of internal scrutiny work provides an 'annual summary report to the audit committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress'. This report must be submitted to the ESFA in accordance with the financial statements filing deadline, which for the financial year ended 31 August 2021 is 31 December 2021. This report is designed to meet the ESFA's requirements.

Scope

The scope of our internal scrutiny work was agreed with Frassati Catholic Academy Trust and was communicated via our audit scoping documents. Frassati Catholic Academy Trust carried out its own risk assessment and identified areas where internal scrutiny is required in order to manage these risks. The committee derives assurance from a range of internal and external sources including internal scrutiny.

Our work is conducted on the basis that management and, where appropriate, those charged with governance acknowledge that they have responsibility for:

- Completing an internal risk assessment incorporating internal financial control risk and monitoring risk;
- Designing such system of internal control as management determines is necessary to ensure that the Academy Trust's transactions are free from fraud and error; and
- Designing such a system of monitoring internal control that those charged with governance determine is necessary to ensure that breaches of internal control, whether arising from fraud or error, are identified and addressed.

Our responsibility is to carry out the internal control checks and report our findings to the Trust. The work (sample sizes, tests etc) is designed based on discussions with the academy trust and reflecting your assurance priorities. The work is not designed with the expectation that any material fraud will be prevented or detected through this testing alone.

Current status

As of the date of this report our internal scrutiny work has been completed and reports have been circulated to the Academy Trust for their review of our findings. The reports for the Academy Trust were distributed to management, we have received management responses to all reports, and they have now been finalised.

Programme status summary

Our full status summary for the 2020/21 cycle is shown below:

School Core Financial Controls Reviews		
School	Timing	Report status
St Edmund Champion Nursery	February	Finalised
St Edmund Champion Primary	February	Finalised
St Margaret Clitherow School	February	Finalised
St Mary's Pre School	February	Finalised
St Mary's Primary School	February	Finalised
St Teresa's Catholic Academy	February	Finalised

Trust Level Reviews		
Review	Timing	Report status
Core Financial Controls – Central Trust	February	Finalised
Academies Financial Handbook Compliance	February	Finalised
Payroll Controls and Procedures	March	Finalised

Summary of findings

Our school review reports contain observations and recommendations which are graded from High to Advisory depending on the severity of the issue. Analysis of the number of observations made and their associated rating is given below.

Reviews		A - High	B - Medium	C - Low	D - Advisory
Core Financial Controls					
	St Edmund Campion Nursery	-	1	1	-
	St Edmund Campion Primary	-	1	2	-
	St Margaret Clitherow School	-	2	-	-
	St Mary's Pre School	-	2	1	-
	St Mary's Primary School	-	-	2	-
	St Teresa's Catholic Academy	-	-	2	-
	Central Trust	-	3	1	-
AFH Compliance		-	-	-	1
Payroll		-	2	5	-

Observations included in the “A” grade (red) banding indicate that, in our opinion, there is a risk of significant financial impact on the business that must be addressed immediately.

“B” grade (orange) banding recommendations relate to those issues where there is a risk of moderate financial impact on the business, such as a control failure or the absence of a control in an area of moderate risk. These items should be addressed shortly.

Observations included in the “C” grade (yellow) banding indicates that the matter, although important, does not warrant urgent attention and should be addressed within an agreed timeframe.

Observations and recommendations

	Observation / Issue	Recommendation	Management comment
	Core Financial Controls Review 1 – St Edmund Campion Nursery		
B	<p>VAT account reconciliation</p> <p>We noted that there is no regular reconciliation of the VAT control account, and that the balance as at 31/01/2021 included a brought forward balance from the prior year which could not be explained.</p> <p>If the account is not regularly reconciled, the amount could be misstated.</p>	<p>We recommend that the VAT account is reconciled along with other balance sheet control accounts at month end.</p>	<p>I have analysed the account and there is a CR balance of £1,172.80 due to a refund paid in on 08/05/2018. I didn't register the liability at that time, this was the first refund on Sage after moving from PS Financials. Probably it should have been done as an opening balance when we moved the accounts. I have the backup documents. When the accounts were on PS Financials the Nursery and School were together and our accountants provided the figure separating the school and nursery figures. I will need advice to register the journal to correct this.</p>
C	<p>Use of purchase orders</p> <p>We noted that the Nursery does not require purchase orders prior to orders made by credit card.</p> <p>This increases the risk that inappropriate expenditure will not be detected.</p>	<p>We recommend that purchase orders are used for all payments, including credit card transactions.</p>	<p>We have raised PO on credit card expenses mainly when we have bought online, but not for all the transactions, mainly small purchases.</p> <p>We will raise PO for each purchase from now.</p>

	Observation / Issue	Recommendation	Management comment
	Core Financial Controls Review 2 - St Edmund Campion Primary		
B	<p>Personal use of credit card</p> <p>We noted that in October 2020 that the school credit card was used by the School Business Manager by mistake when making a personal payment due to card details being used alongside a personal website account.</p> <p>Whilst the amount was reimbursed to the school, this highlights the risk of inappropriate expenditure going unnoticed.</p>	<p>We recommend that the school sets up its own account for any website where the credit card is used to mitigate the risk that card details are linked to any personal accounts.</p>	<p>During a school holiday a personal device was used to order something from Amazon for school use and paid for via the school's (Kate Foreman's) credit card. Kate Foreman has now deleted the school's Amazon account from her personal device to avoid this happening in the future. All monies were returned immediately and COG and Heads informed.</p>
C	<p>Aged debtor & creditor reconciliations</p> <p>Whilst it is noted that the Senior Business Manager checks debtor and creditor control accounts as part of the month-end process, there is currently no review process for these control account reconciliations.</p> <p>This increases the risk that errors will not be identified.</p>	<p>We recommend that formal reconciliations of balance sheet accounts are performed on a monthly basis. We also recommend that these recommendations are signed off by a second senior member of staff.</p>	<p>The school rarely has any aged debtors or creditors. We will in future include reconciliations of these in the monthly process.</p>

	Observation / Issue	Recommendation	Management comment
C	<p>Use of purchase orders</p> <p>We noted during our testing of expenditure that purchase orders were not raised for some items of expenditure, although these did in most cases relate to costs in respect of existing contracts, or instances where services were required on short notice.</p> <p>There is a risk that the Trust will incur inappropriate expenditure if purchases are not authorised in advance of placing orders.</p> <p>Whilst we understand the exact value of the expenditure could not be quantified, an estimation of costs can be used to initiate a purchase order, and significant variations to the purchase order can then be investigated.</p>	<p>We recommend that purchase orders are raised on all relevant purchases before an order is placed.</p>	<p>Most of the purchases made without purchase orders are for subscriptions, SLA's or for emergency call-outs via the local authority or another support company where we do not know the costs in advance.</p>
Core Financial Controls Review 3 - St Margaret Clitherow School			
B	<p>Bank reconciliations</p> <p>We noted that bank reconciliations are not reviewed by anyone other than the SBM who prepares the reconciliation.</p> <p>This increases the risk that errors in the bank reconciliation will not be identified.</p>	<p>We recommend that monthly bank reconciliations are reviewed and authorised by someone other than the preparer.</p>	<p>The SBM has now left the school and a new one is starting in May.</p> <p>I think the lack of dual signatories is due to lock-down and isolation rather than a process failure.</p>

	Observation / Issue	Recommendation	Management comment
B	<p>Credit card purchases</p> <p>We note that there is currently no authorisation required prior to spend on the head teachers credit card. We also note that this card is usually signed off the Chair of governors at least termly, but this has not been possible since October 2020 due to lockdown.</p> <p>As this card is checked more infrequently than the other credit cards, and there is no authorisation prior to spend, there is an increased risk that inappropriate expenditure will go undetected.</p>	<p>We recommend that purchase orders are required for expenditure on the head-teachers card to mitigate the risk of inappropriate expenditure.</p> <p>We also recommend that the SBM reconciles the Head Teacher's card in addition to the termly review from the Chair of Governors, to ensure that any issues are identified and dealt with in a timely manner.</p>	As above.
	Core Financial Controls Review 4 - St Mary's Pre School		
B	<p>Bank reconciliations</p> <p>We noted that bank reconciliations for are not reviewed by anyone other than the SBM who prepares the reconciliation.</p> <p>This increases the risk that errors in the bank reconciliation will not be identified.</p>	<p>We recommend that monthly bank reconciliations are reviewed and authorised by someone other than the preparer.</p>	<p>Although there is no formal approval from the Pre-School Manager, we believe that the process in place to approve any single payment is robust enough. Nevertheless, we will implement a monthly process where the Pre-School manager or the Deputy Manager can review & approve bank reconciliations. We expect to have this process in place during Q2 2021.</p>
B	<p>Balance sheet control account reconciliations</p> <p>We note that there is currently no review process for control account reconciliations for aged debtors and creditors.</p> <p>There is a risk that errors in customer and supplier records go unidentified and the debtors and creditors figures per the ledger are inaccurate.</p>	<p>We recommend that monthly control reconciliations are reviewed and authorised by someone other than the preparer.</p>	<p>The Admin Pre-School employee is the one that follow-up any aged AP & AR. We do prepare a monthly aging report for both AP & AR. Happy to share it if needed. We take actions on aged balances to ensure we collect the money.</p>

	Observation / Issue	Recommendation	Management comment
C	Local authority income monitoring We note that there is no formally documented monitoring process for local authority income. Without regular monitoring, there is increased risk that amounts received will be incomplete, leading to income being understated.	We recommend that monthly reconciliations are carried out between amounts received and amounts expected to ensure that local authority income is complete.	We follow-up local authority income based on the estimated income. We use the local application called Synergy – AFC Provider portal. We will create a more formalised document that shows our analysis.
Core Financial Controls Review 5 - St Mary's Primary School			
C	Purchase order raised retrospectively We noted during our testing of supply staff costs that a purchase order had been raised after the invoice date. If purchases are made without prior authorisation, there is a risk the invalid expenditure will be incurred.	We recommend that purchase orders are raised and authorised prior to any orders being placed.	A PO is raised before the invoice, 99.9% of the time. In this instance a PO was raised in December when the supply was agreed, however it had accidentally got raised against the Wrong Supply Agency, so when we went to pay the invoice, realised that it was the wrong agency and therefore had to raise a new PO, and hence the reason for the PO to be dated after the invoice date. However there is no evidence of this as the PO was erased from the sage system.
C	Declarations of interest We noted that one 2020/21 declaration of interest for a school governor had not yet been received. There is a risk that related party relationships will be entered into without prior knowledge.	We recommend that declarations of interest for all governors are obtained to ensure the school is aware of any potential conflict of interests with its governors.	This was an outgoing governor, for April 2021, who has not attended any meeting Jan-Mar21 and not really interacted with the school since the change of governance in Jan2021. New clerk appointed in Jan2021, to enable to help ensure compliance.

	Observation / Issue	Recommendation	Management comment
	Core Financial Controls Review 6 - St Teresa's Catholic Academy		
C	<p>Bank reconciliations</p> <p>We note that bank reconciliations are currently prepared by the finance officer and authorised by the School Business Manager, however per the Trust's financial procedures manual the reconciliation should be prepared by the SBM and signed off by the Head of School.</p> <p>Whilst we were able to document that the bank reconciliation was prepared and reviewed by two different people, there is a risk that the oversight of this reconciliation is not at the appropriate level.</p>	<p>We recommend that the process for the preparation and authorisation of the bank reconciliation is considered and agreed. Any changes to the process should be updated in the financial procedures manual and adhered to each month.</p>	<p>I will ask the Headteacher to co-sign the reconciliation</p> <p>And ask the Trust about amending the wording of the finance procedure next year</p>
C	<p>Purchase orders</p> <p>We noted that for one out of four items of expenditure tested, relating to food delivery, there was no purchase order raised.</p> <p>Without purchase orders, there is a risk that expenditure occurs or orders are placed without prior authorisation, which could lead to irregular expenditure not being identified.</p>	<p>We recommend that purchase orders are raised and approved prior to any expenditure not paid by direct debit.</p>	<p>Noted.</p>

	Observation / Issue	Recommendation	Management comment
	Core Financial Controls Review 7- Central Trust		
B	<p>Month end control account reconciliations</p> <p>We noted that although the CFO checks balance sheet accounts as part of the month-end process, there is no formal reconciliation process in place for control accounts, which are then reviewed by a second individual.</p> <p>There is a risk that issues within balance sheet accounts go unidentified, leading to misstatements at the month or year end.</p>	<p>We recommend that the Trust introduces a formal balance sheet reconciliation process – including aged debtors, aged creditors and wage control accounts.</p> <p>We then recommend that these reconciliations are authorised by a second individual as evidence of review.</p>	<p>There are rarely any debtors or creditors due to the small number of transactions made with this account. Reconciliations to be introduced with immediate effect. Covid 19 and the physical distance between parties have made authorisations difficult, even with Docusign being introduced, it is somewhat complicated when there are lots of pages.</p>
B	<p>Review of bank reconciliations</p> <p>It was noted that the bank reconciliations for September 2020 to January 2021, whilst correctly prepared, did not have evidence of review by the CEO due to remote working during the period under review.</p> <p>We note however that at the time of our review the Trust has now set up online signatories to ensure these can be reviewed remotely.</p>	<p>We recommend that bank reconciliations are reviewed signed by the CEO as evidence of secondary review.</p>	<p>Most of the purchases we have are for annual subscriptions / agreements already approved by the trust e.g. insurance, finance system, accountants etc. All additional purchases are made with a P/O.</p>

	Observation / Issue	Recommendation	Management comment
B	<p>Secondary review of payroll</p> <p>During our testing it was notes for the three months selected, payroll reports had not been reviewed by a second member of staff. There is a risk that inappropriate payments are made to staff without this additional review. We note that given the small number of staff employed at Central, secondary review is not always possible.</p>	<p>We recommend that payroll reports are reviewed and signed by the CEO as evidence of secondary review where practicable.</p>	<p>Covid 19 and the distance between parties have made authorisations difficult. The bank reconciliations have now been reviewed and signed by the CEO and will continue to be so moving forward.</p>
C	<p>Use of purchase orders</p> <p>During our review of expenditure we identified two invoices without purchase orders, of a nature where one could argue that they ought to have been raised. They were however in line with previous contracts / agreements.</p> <p>This increases the risk of Trust entering into inappropriate transactions without detection.</p>	<p>We recommend that Purchase Orders are raised for all purchases of goods and services, and given pre-authorisation prior to the order being placed.</p>	<p>With only 3 people employed by central and the physical distance this has proved difficult. In future CEO will review and authorise payroll reports</p>

	Observation / Issue	Recommendation	Management comment
	AFH Compliance Review		
D	Per clause 2.38 of the AFH 2020, trustees are required to review the risk register at least annually. The most recent risk register that was documented was in November 2019. The AFH also advises more broadly that 'ultimate oversight of the risk register, must be retained by the board of trustees, drawing on advice provided to it by the audit and risk committee.'	We recommend that the risk register is reviewed by the Board and updated accordingly at meetings throughout the year.	This will be reviewed regularly going forward.
	Payroll Controls and Procedures Review		
B	Payroll corrections can only be made in the following months' pay run We noted that at St Mary's Primary , the school receives its second 'final' month's payroll report after the date that the bank transfer is made to the Central Trust. This means that if any issues were identified in the final pay report, it would be difficult to make the payroll correction payment until the following month.	We recommend that the school only makes its BACS payment to the Central Trust once the final payroll report has been received and checked.	This will happen ongoing.

	Observation / Issue	Recommendation	Management comment
B	<p>Overtime forms</p> <p>We noted two of three overtime forms tested at St Teresa's School were not to be signed by the employee who had claimed the overtime.</p> <p>If employees do not sign to evidence that they have agreed the hours of overtime worked, it may be more difficult to resolve if the employee disputes the number of hours they were paid for.</p> <p>We also noted one of the three forms was not signed by the Head teacher.</p> <p>If overtime forms are not appropriately authorised before they are added to the payroll, there is a risk that incorrect claims could be submitted.</p>	<p>We recommend that overtime claim forms are signed by both the employee claiming overtime and the Headteacher before any overtime payments are added to the payroll.</p>	<p>All extra hours forms will be signed by School Business Manager or Headteacher going forward and will also be signed by the employee.</p>
C	<p>Staff overtime documentation</p> <p>We note that at St Edmund Nursery, the nursery does not use a standard form for overtime claims which details the amount of hours worked and hence the calculation of the amount paid.</p> <p>This presents a risk as if staff were to query the number of hours they have been paid for, there is no documentation evidencing the agreed upon hours.</p>	<p>We recommend documenting the amount of each overtime claim including the hours worked in a standard form, along with evidence of approval.</p>	<p>Overtime is always agreed and authorised by the Nursery SBM and the Head Teacher in writing. We agree with this recommendation.</p>

	Observation / Issue	Recommendation	Management comment
C	<p>Historic balance on net wages control account</p> <p>We noted that in the Central Trust a balance of £226 on the net wages control account which is due to a mis-posting. As a result the net wages control account does not clear down to £nil at the month end.</p>	We recommend that the mis-posting is corrected to ensure the control account balance is accurate.	Adjustment will be made accordingly.
C	<p>CEO walkthrough recalculation of a staff member's pay with additions and deductions is not occurring monthly, contrary to payroll policies</p> <p>Per discussion with Kate Foreman, she performs this check for the Central Trust and one school, but there is not evidence that it occurs on a whole trust level by the CEO.</p>	We recommend that the monthly payroll review process includes this single staff member walkthrough by the CEO on a whole trust level, including each school.	Will arrange for this ongoing.
C	<p>Pensions auto-enrolment is not reviewed and ensured it is applied where appropriate</p> <p>We were informed that for two members of staff, neither the external payroll provider nor the trust noticed them reaching the minimum threshold for pension enrolment to become compulsory. This could lead to breach of contractual obligations.</p>	We recommend that the monthly payroll review process includes checking items above the enrolment threshold for pension contributions.	Will discuss with our Payroll provider.
C	<p>Excess pay was paid (and subsequently clawed back) to two employees</p> <p>Per discussion with Karen Boucher at St Teresa's School, there were two errors made with hourly staff, leading them to be overpaid.</p>	We recommend that hourly pay be confirmed to authorised timesheets ahead of payment.	Both mistakes were made on contractual hours by the payroll company and picked up by our internal processes.

Conclusion

This report has been prepared for your private use only. It has been prepared on the understanding that it will not be shared with any third party, apart from the ESFA, without our prior written consent and we can therefore assume no responsibility to any other party. The advice contained herein is based on the information you have provided and UK law and judicial and administrative interpretation as of the date of this report. Should the facts provided to us be incorrect or incomplete or should they change, our advice may be inappropriate. Buzzacott LLP accepts no liability for losses arising from changes in UK law, interpretation or practice or in public policy that are first published after the date of this report.

If there are any areas that the Trust would like us to review in greater detail or to tailor the work further to the Academy Trust, please contact either the contact partner or manager. Further updates and information for Academies including our programme of free seminars are provided on our website:

<https://www.buzzacott.co.uk/academies-and-schools>

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Appendix: Sector developments

Coronavirus

DfE Updates

The Department for Education (DfE) continues to update its online Coronavirus guidance for schools on a regular basis; this guidance can be found here:

[Guidance for schools: coronavirus \(COVID-19\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/guidance-for-schools-coronavirus-covid-19).

Following the removal of the majority of Government restrictions in July 2021, academy trusts are encouraged to monitor the guidance for changes, particularly with the risk of a possible surge in Covid-19 cases over the winter months.

The more relevant and regularly updated sections of the guidance cover areas such as:

- the day-to-day running of schools;
- safe working and protective measures;
- Covid-19 testing for staff and pupils;
- Special Educational Needs and Disability (SEND) considerations;
- finance and administration, including financial assistance and changes to admissions processes;
- exams and assessments; and
- teacher training;

We also recommend that the Trust reviews the weekly ESFA update for academy trusts which is published at <https://www.gov.uk/government/collections/esfa-update>.

The National Tutoring Programme

The Government is continuing to make its National Tutoring Programme available to Schools during 2021/22. This programme aims to make additional tuition available for children whose education has been affected by the Coronavirus pandemic. In addition to the Tuition Partner and Academic Mentor routes available during 2020/21, the ESFA have introduced a new School-Led Tutoring route. This takes the form of a ring-fenced grant to allow schools to source their own local tuition providers for disadvantaged pupils.

Information on the National Tutoring Programme can be found on their website, here: [About the National Tutoring Programme | NTP](https://www.nationaltutoringprogramme.org.uk/)

Further guidance on school-led tutoring can be found here: [School-led tutoring guidance \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/guidance/school-led-tutoring)

Compliance

July 2021 Accounting Officer letter

The ESFA's Chief Executive, Eileen Milner, wrote to all Accounting Officers in Academy Trusts on 14 July 2021. In this letter, she:

- Set out some of the key changes to the Academies Financial Handbook (now Academy Trust Handbook, see below) beginning in 2021.
- Drew attention to the financial management good practice guides, in particular the updates to the guide on risk management which were made in May 2021.
- Reminded trusts about the requirement to complete the School Resource Management Self-Assessment Tool by 15 March 2022.

- Set out the timetable for financial return submission deadlines for 2021/22, which reflects the pre-Covid status quo and reinstates the requirement to complete a Budget Forecast Return Outturn (by 17 May 2022).

The letter, which also covered details of the Supplementary Bulletin for the Accounts Direction for 2020/21, can be read in full here:

[Letter to academy trust accounting officers July 2021.pdf](#)
([publishing.service.gov.uk](#))

Academy Trust Handbook 2021

The ESFA has re-branded the Academy Financial Handbook under the new name title of the Academy Trust Handbook 2021 (ATH 2021). This change is designed to recognise that the responsibilities of trusts set out in the handbook extend beyond simple financial control and include governance, safeguarding, health and safety and estates management. All Academy Trusts must comply with the handbook as part of the conditions of their funding agreements. ATH 2021 applies from 1 September 2021 and the key changes relate to:

- **Roles and responsibilities:** This section includes new areas to highlight trusts' responsibilities in relation the non-financial areas mentioned above and also emphasises the important of external governance reviews for trusts, particularly when the Board or Trust are about to make significant .
- **Main financial requirements:** The changes to this section deal with publicly available information, specifically:
 - Noting that trusts **must** publish the number of employees whose benefits exceed £100,000 in bands of £10,000. Benefits for this disclosure include salary, employers' pension contributions, taxable benefits and termination payments. This requirement extends to off-payroll arrangements – non-employees must be disclosed in this manner as if they were an employee.

- A reminder that the agenda, approved minutes and all papers, reports or documents considered at trustee, committee and local governing body meetings **must** be made available for public inspection. The requirement notes that named pupils, staff or candidates for these positions may be excluded from this material, along with any information which the trustees are satisfied should remain confidential.

- **Internal scrutiny:** ATH 2021 has introduced two new requirements to clarify previously implicit “best practice” points:
 - Members of the senior leadership or finance team within a trust **must not** carry out internal scrutiny work, in order to ensure that the scrutiny is independent and objective.
 - The same person **should not** be chair of both the trustee board and of the audit and risk committee and the finance committee. It also notes that the chair of the audit and risk committee should not be the same person as the chair of the finance committee, where these are separate.
- **External Auditors:** The latest iteration of the handbook introduces much more rigid guidelines on re-tendering for external audits and notes that trusts **should** re-tender their external contract every five years. It also re-iterates the various steps that the audit and risk committee **must** take when communicating with – and assessing the performance of – the external auditor.
- **Severance payments:** Following the publication of the Treasury's Guidance on Public Sector Exit Payments in 2021 (which can be read here: [Public Sector Exit Payments Guidance on Special Severance Payments - GOV.UK \(www.gov.uk\)](#)), the ATH 2021 has been updated to

state that trusts **must** obtain prior approval from the ESFA before making staff severance payments if:

- the exit package includes a special severance payment in excess of £100,000; and/or
 - the employee earns in excess of £150,000 per annum.
- **Regulation:** ATH 2021 has introduced a requirement that trusts **must** provide the ESFA with written authority giving third parties permission to provide information to the ESFA for the purposes of investigations (for example, into financial management or governance issues).
 - **Nomenclature:**
 - **Clerks** are now referred to as **governance professionals** throughout ATH 2021.
 - **Financial Notices to Improve** (FNTIs) have been renamed **Notices to Improve** (NTIs), mirroring the change in the Handbook's name and reflecting the wide variety of non-financial issues which can be contained within these notices.
 - **Cybercrime:** ATH 2021 also provides additional advice and guidance on cybercrime, specifically noting that prior permission must be obtained from the ESFA before any cyber ransom demands are paid. Further information on the resources available for trusts with respect to cyber security can be found in the "policy and governance" section of this sector updates document, below.

The full list of changes for the ATH 2021 can be found on page 9 of the document, which is available in pdf format here:

[Academy trust handbook 2021.pdf \(publishing.service.gov.uk\)](#)

Financial management good practice guides

In March 2019, the ESFA began publishing a series of short "good practice" guides to assist academy trusts in topical areas of financial management. This year, there have been updates to the internal scrutiny, going concern, risk management and Streamlined Energy and Carbon Reporting guides which reflect the content of the revised Academies Handbook and Academy Accounts Direction.

The ESFA's good practice guides can be found here: [Internal scrutiny in academy trusts - GOV.UK \(www.gov.uk\)](#)

Keeping Children Safe in Education update

The latest version of the Keeping Children Safe in Education (KCSIE) guidance was published on, and applies from, 1 September 2021.

As in previous versions, the guidance emphasises that it is essential that everybody working in a school or college understands their responsibilities with respect to safeguarding. All staff at academy trusts must therefore read Section 1 of the document at the very least.

The substantive changes to the guidance this year, excluding minor clarifications and presentational changes, are as follows:

- The guidance now applies to all providers of post-16 education as set out in the Education and Training Welfare of Children) Act 2021.
- There is updated guidance and additional focus on **peer-to-peer abuse** throughout the document.
- Additional information about **keeping and storing records**, as well as clarification on organisations' powers to hold and use information for safeguarding purposes have been added in several areas of the guidance.

- The **Safeguarding Information for All Staff** section contains additional guidance on Child Criminal Exploitation, Child Sexual Exploitation, sexting and serious violence, as well as additional information on mental health resources.
- The **Management of Safeguarding** section now includes new sections on the importance of a “whole school/ college approach to safeguarding” and online safety. Other additions to this section include new advice on the dismissal of teachers (including when to refer cases to the Secretary of State) the use of schools for non-educational activities and alternative provision.
- The **Safer Recruitment** and **Allegations Made Against Staff** sections have been restructured, but remain substantively the same.
- The section on **Sexual Violence and Harassment** contains new information on the importance of acknowledging the scale of harassment and abuse and that the way an incident is handled by a school will impact future victims. There are also new sections on the fact that children might not tell staff about abuse and unsubstantiated or malicious reports.

The full guidance is available online at: [Keeping children safe in education - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/keeping-children-safe-in-education)

More specific guidance on peer-to-peer sexual violence and harassment is also available here and was updated in September 2021: [Sexual violence and sexual harassment between children in schools and colleges \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/sexual-violence-and-sexual-harassment-between-children-in-schools-and-colleges).

Companies House reforms

In September 2020, the Department for Business, Energy and Industrial Strategy (‘BEIS’) published its findings in relation to a consultation on Companies House reform which it launched in May 2019. The government’s response contains an overview of the proposed reforms. As incorporated organisations required to file returns with Companies House, academy trusts should be aware of the potential changes. The key areas are as follows:

- **Knowing more about who is setting up, managing and controlling companies**
The government plans to introduce compulsory identity checks on directors of companies, general partners in Limited Partnerships, designated members in LLPs and people with significant control (PSCs).
- **Reforms to Companies House powers**
The government plans to extend the powers of Companies House to query, seek evidence for, amend or remove information on the register, and to share it with law enforcement if certain conditions are met.
- **Protecting personal information on the register**
The government plans to improve the processes for removing personal information from the register.
- **Improved data accuracy and digital tagging**
The government proposes a further consultation on how to introduce full digital tagging of accounts to ensure consistency, easier identification and comparability of information on the register.

Assurance themes

The ESFA published its briefing report on the key assurance themes arising from work undertaken during its 2020/21 year (covering the accounting period ended 31 August 2020) on 28 September 2021. The report notes that the 97% (2019 – 98%) of accounts were submitted by the extended 31 January 2021 deadline and that just 0.5% (2019 – 0.7%) of the statutory audit reports were modified. Reasons for non-submission were similar to previous years, with trust closures being the most common.

- The percentage of modified regularity reports rose from 7.1% in 2018/19 to 8.5% in 2019/20, with the increase attributable to problems caused by the pandemic. These included:

no internal scrutiny reviews taking place;
management accounts not being produced; and
trusts being unable to hold the required number of Board and/
or Finance Committee meetings.

- The majority of modified regularity opinions continued to relate to poor financial reporting, with the second most common cause being lack of adherence to the various requirements around related party transactions.

- The ESFA's report notes that a number of Annual Summary reports on internal scrutiny were non-compliant as they simply replicated existing documents, such as the Governance Statements, minutes of Trustee meetings or the external audit management letter.

- The ESFA's financial management and governance reviews showed good progress towards compliance with the Academy Trust Handbook, with key areas for improvement including:

the Establishment of audit and risk committees and a suitable programme of internal scrutiny;
production and scrutiny of suitable management accounts;
the publication of registers of pecuniary interests on trust websites; and
clearly defined establishing clearly defined internal control frameworks with regular management checks.

- The full report is available to read here: [Common themes arising from ESFA's assurance work in 2020 to 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/98444/Common_themes_arising_from_ESFA's_assurance_work_in_2020_to_2021_-_GOV.UK.pdf).

Funding and finance

National funding formula changes for 2022/23

The Minister of State for School Standards set out the National Funding Formula (NFF) for 2022 to 2023 on 19 July 2021. This announcement was followed by the publication of provisional allocation tables and the annual NFF policy document.

The document gives details of the changes to the funding regime for the next accounting year, which include:

- An overall increase to school funding of 3.2% and an increase to high needs funding of 9.6%;
- A £10,000 increase in the sparsity provision for small and remote schools (to £55,000 for primary schools and £80,000 for other schools), as well as a revision to the method for calculating schools' remoteness;
- A reduction in the funding lag for the "Free School Meals Ever 6" (FSM6) factor, which provides additional funding for pupils recorded as eligible for free school meals at any point in the past six years.
- Changes to the business rates payment system, which are discussed below.

From 2022/23, the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPEG) will be fully rolled into the National Funding Formula and will therefore no longer be administered as separate grants.

The Schools Revenue Funding Operational Guide for 2022 to 2023 can be downloaded here: [Schools Revenue Funding Operational Guide - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/98444/Schools_Revenue_Funding_Operational_Guide_2022_to_2023.pdf)

The provisional funding tables can be found here: [National funding formula tables for schools and high needs: 2022 to 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/98444/National_funding_formula_tables_for_schools_and_high_needs_2022_to_2023.pdf)

Covid Recovery Premium – 2021/22

The Recovery Premium funding plan package will continue to provide additional funding to trusts in the 2021/22 academic year and will be allocated on a per pupil basis, using the same eligibility criteria as pupil premium funding. Schools will receive their funding in four payments throughout 2020/21 at the following rate:

- £145 for every eligible pupil in mainstream education; and
- £290 for every eligible pupil in a special unit.

Eligible primary and secondary schools will receive a minimum of £2,000 or £6,000, respectively. Additional weightings will be applied to specialist provision schools.

There are currently no plans to extend this package of funding into 2022/23.

Further information can be found here: [Recovery premium funding - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/recovery-premium-funding)

Rates

Academy trusts are currently eligible to make back-dated claims against National Non-Domestic Rate charges by completing an online form. However, from 1 April 2022, trusts will no longer be able to make claims against bills received in prior years and should therefore ensure that all rates for periods up to and including the 2021/22 fiscal year are made prior to this date.

Details on how to make the claim can be found here: [Academy national non-domestic rates \(NNDR\) claims - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/academy-national-non-domestic-rates-claims) From 1 April 2022, the ESFA will make payment to billing authorities directly on behalf of trusts.

Academy trusts are also being encouraged to register buildings on school sites which are not used to deliver education for pupils (for example, private nursery buildings, caretaker's houses or community swimming pools) as separate entities on the Valuation Office Agency's rating list, in order to allow for separate bills to be produced for educational and other buildings.

School Rebuilding Programme

The DfE has announced the first 100 establishments to benefit from the School Rebuilding Programme (SRP), a policy within the Government's "levelling up" programme, which aims to carry out major capital improvement works at schools across the country over the next ten years. A consultation on the best approach for identifying those schools most in need of assistance ran until 8 October 2021 and decisions on the process for selection as well as further announcements are expected in the new year.

Further information on the programme can be found here: [School Rebuilding Programme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/school-rebuilding-programme)

Teaching School Hubs and implications for Initial Teacher Training (ITT)

From September 2021, 87 new "Teaching School Hubs" replaced the 750-strong network of teaching schools. The intention of the new framework is to continue the programme of professional development support for teachers in a more centralised manner. The hubs are to be funded for three years via an annual grant and will be accessible to all schools in the country. Further information on the scheme is available here: [Teaching school hubs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/teaching-school-hubs)

The National Association of School-Based Teacher Trainers (NASBTT) has published its response to the Initial Teacher Training Market Review following a consultation period and notes under question 26 that it fully supports the involvement of Teaching School hubs in ITT and would encourage the sector to

work in this more collaborative way. It also recognises the importance of existing providers' extensive experience and the possibility of risk the new Hubs as they develop. Further developments following the review are expected by early 2022. NASBTT's response to the review can be read in full here: [NASBTTs-Response-to-the-Initial-Teacher-Training-ITT-Market-Review-Consultation-July-2021.pdf](#)

Policy and Governance

"Understanding your data" guide for governors and trustees

The DfE updated its guidance for trustees on managing, assessing and analysis data on 1 September 2021. The guide reminds those charged with governance about the importance of monitoring and challenging data in order to identify the root cause of problems and the reasons for success. It aims to make the review of data more manageable by giving seven themes to be considered when assessing a trust's performance and discussing the frequency on which reporting should be carried out by management.

This guidance assists trustees by providing an additional framework to assist them in fulfilling their responsibilities in the Governance Statement of their trust's annual report and accounts, in particular the review of value for money and assessment of risk.

The full guidance can be found here: [Understanding your data: a guide for school governors and academy trustees - GOV.UK \(www.gov.uk\)](#)

Cyber security

Academy Trusts are heavily reliant on IT and increasingly rely on cloud-based services. Trust hold large volumes of personal and sensitive data in an electronic format and are increasingly finding themselves victims of actual or attempted cyber-fraud, predominantly through scam emails. It is therefore important for

management and the trustees to have an awareness of the potential risks of the digital environment, both extant and emerging, in order to ensure that their mitigating strategies are up-to-date. The National Cyber Security Centre's "Cyber Security in Schools: Questions for Governors and Trustees" provides a useful eight question starting point for boards wishing to improve their understanding of the risks to which their trust is exposed in the digital sphere.

This guidance can be found here: [School cyber security questions for governors - NCSC.GOV.UK](#)

In September, the DfE launched a pilot for Cyber Secure, a Cyber Security self-assessment "score-card" tool which has a similar aim and also links trusts to relevant advice and guidance. The pilot ended on 9 October 2021 and the tool will be available for all schools for free from January 2022. Please see [DfE launches cyber security scorecard for schools \(schoolsweek.co.uk\)](#) for further information.

Fraud and cybercrime – other guidance

The Government has published a comprehensive guide on how charities can protect themselves against fraud and cybercrime. Although specifically published for the charity sector, many of the points within the guidance are equally applicable to academy trusts (as not-for-profit organisations and exempt charities). The guide covers all aspects of fraud and cybercrime with useful links to relevant organisations that combat fraud in charities.

The guidance determines eight overarching principles for tackling fraud:

1. Fraud will always happen, even at charities;
2. Threats are constantly changing so it is important for charities to be able to adapt defences quickly;

3. Prevention mechanisms are better than cure;
4. Fraudsters exploit the trust and goodwill of a charity;
5. It is good to discover fraud as this is the first step in fighting fraud;
6. Report all fraud on a timely basis to Action Fraud, the relevant regulator or police;
7. Responses to fraud should be proportionate to the charity's size, activities and fraud risks;
8. Everybody involved in the charity should help fight fraud, especially trustees.

The fraud section of the guidance covers a broad range of issues, including how fraud should be reported if a charity is a victim of fraud, how a charity should protect itself from fraud and example policies on anti-fraud, whistleblowing and investigations.

As an ever evolving threat to all organisations, the guidance on cybercrime covers an array of topics. Of particular significance, the National Cyber Security Centre (NCSC) has produced an electronic learning training package covering top tips for staff that covers four key areas: defence against phishing, passwords, device security and incident reporting. The NCSC has also designed a toolkit specifically for boards to encourage wider discussions throughout the charity which contains information on how to plan a response to a cyber-incident. In the event of a cybercrime attack, Action Fraud, the national policing lead for fraud, has launched a 24/7 live cyber-attack helpline which is connected with the National Fraud Intelligence Bureau (NFIB).

The detailed guidance can be found at: <https://www.gov.uk/guidance/protect-your-charity-from-fraud>

School Resource Management Adviser (SRMA) Programme

The ESFA announced on 8 September 2021 that it will continue to provide access to over 200 accredited, independent SRMAs for academy trusts and local authorities until at least August 2024. SRMAs were introduced to provide additional hands on support and assistance in financial planning and resource management for schools. The Government intends to publish impact measurement data for the SRMA programme shortly.

The news article announcing the extension of the scheme can be found here: [ESFA extends School Resource Management Adviser programme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/esfa-extends-school-resource-management-adviser-programme).

Equality, Diversity and Inclusion (EDI) in trust boards

The Governance Handbook for Academy Trusts and Maintained Schools last updated in October 2020, reflects on the importance of diversity on academy trust boards: they promote inclusive school environments, provide diverse role models for both staff and students, and create better connections between schools and the local community, which in turn. Having trustees from a broad range of backgrounds also promotes more critical discussion as it broadens the range of different experiences and viewpoints within the Board.

Further details can be found in section 4.1.3 [Governance Handbook 2019 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/90444/governance-handbook-2019.pdf).

The National Governance Association's Everyone on Board guide elaborates on these points and provides additional resources to assist boards in recruiting a more diverse range of governors. The guidance can be found here: [Campaigns | Everyone on Board - National Governance Association \(nga.org.uk\)](https://www.nga.org.uk/everyone-on-board)

Taxation

National insurance increases

In September 2021, the government announced plans to increase national insurance contributions by both employees and employers by 1.25% from April 2022 for one year. Branded as the “Health and Social Care Levy”, it is anticipated that an additional £12 billion per annum for a three-year period will be generated exclusively for the adult social care sector, and also to combat the NHS Covid backlogs. Although this will increase staff costs for academy trusts, the Government has indicated in section 86 of its policy paper that it “intends to compensate departments and other public sector employers in England at the Spending Review for the increased cost of the Levy”.

Further information on the levy can be found at:

<https://www.gov.uk/government/news/record-36-billion-investment-to-reform-nhs-and-social-care>

The Government’s full policy paper can be read here: [6.7688 CO Command paper cover 060921 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1060921/6-7688_CO_Command_paper_cover.pdf)

New off-payroll working rules (IR35)

Although academy trusts have had obligations under IR35 since 2017, new rules were introduced from April 2021 for organisations who pay contractors using personal service companies. The off-payroll working rules are designed to stop the avoidance of payroll taxes where a client pays a worker via the worker’s personal service company.

From April 2021, the responsibility of assessing whether contracts fall under the IR35 rules and implementing payroll deductions were extended to cover many private sector charities and other organisations.

Organisations affected by the new rules must review their contracts to determine whether the IR35 rules apply. A ‘Status Determination Statement’ (SDS) must be prepared, explaining the trust’s decision and reasoning for it. This SDS must then be given to the worker and their personal service company/agency. If the outcome is that the IR35 rules apply, the worker must go onto the trust’s payroll with tax and NICs deducted, before the net payment is made to the worker’s personal service company. The trust is also required to establish a disagreement process for any workers that wish to challenge the SDS they have been sent.

HMRC’s online Check Employment Status for Tax (CEST) tool is useful in determining whether IR35 applies, however it is not definitive and it may be worth seeking further advice on uncertain engagements.

Further information can be found at: <https://www.buzzacott.co.uk/insights/new-off-payroll-working-rules-ir35-what-your-charity-needs-to-do-before-april-2021>