



## MEMORANDUM

**To:** Technical Representatives  
**From:** Andrew Jarvis  
**Date:** 4 September 2015  
**Ref:** TM 10/15

### **HAT ACADEMIES MANUAL - AUGUST 2015**

The HAT Academies Manual has been updated to reflect the requirements of the Financial Handbook (September 2014) and Academies Accounts Direction 2014 to 2015 (SORP 2005) published by the Education Funding Agency (EFA). The Manual is effective for periods ending 31 August 2015 and should be used in conjunction with the HAT Charities Manual – March 2014.

Where the academy's accounting period commenced before 1 January 2015 (which will almost always be the case) the client is prohibited from the early adoption of FRS 102 and thus must follow the Accounts Direction above, which continues to be based on the 2005 Charities SORP.

Where a new academy was incorporated on or after 1 January 2015, but has a short accounting period to 31 August 2015, it must use the Academies Accounts Direction 2014 to 2015 (SORP 2015) which is based on the revised Charities SORP (FRS 102). We do not expect many (if any) HAT firms to have such an academy and hence this Manual does not cover the SORP 2015 version of the Accounts Direction. If any firm does come across this situation please contact me for further guidance.

The changes in the Financial Handbook (September 2014) and Academies Accounts Direction 2014 to 2015 (SORP 2005) are in general not significant. The main points to note are as follows:

- The Governance Statement which is included in the annual report must now explicitly cover 'value for money' (and the need for a separate value for money statement on the academy's website is removed);

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- An exemption was introduced effective from September 2014 so the requirement for connected party transactions to be 'at cost' only applies to transactions over £2,500. There are also clarifications to the scope of these rules and what 'cost' means;
- There are minor additional disclosures which must be included:
  - Donated fixed assets must be separately disclosed from other donations;
  - More detail is required in the creditors note of any loans the academy has from the EFA and related organisations (this will mainly be for capital expenditure);
  - All non-statutory or non-contractual severance payments must now be individually disclosed, regardless of value;
  - It has been clarified that disclosure of trustee remuneration (i.e. that of teacher-governors) must include pension contributions;
- There is now an explicit requirement where the audit report on the financial statements is qualified, or the limited assurance report on regularity is modified, that the National Audit Office (as auditor of the Department for Education) and the EFA must both be notified. A prompt to do this is included in the Manual;
- It is highlighted that where a connected charity exists to support the academy it may constitute a subsidiary of the academy and thus a consolidation may be required;
- Further guidance is given regarding accounting for transactions where the academy is an agent (for example where it receives funds from the EFA to pass onto 16-19 year-old students). Amounts passed directly to students should not be recognised in the SOFA, but should still be disclosed;
- Where academies enter into the EFA's new Risk Protection Arrangement (which effectively allows insurance to be via the EFA rather than a commercial insurer), it must be grossed up in the SOFA even though in practice the premium is deducted before the payment of GAG by the EFA.

In terms of the independent reporting accountant's assurance report on regularity, the EFA have highlighted in the Accounts Direction the following common issues which were identified in 2014, which all firms should be aware of when conducting their work:

- Lack of prior approval from the EFA for finance leases (which constitute borrowing);
- No statement of assurance from connected parties that transactions entered into are on a cost basis;
- Non-contractual severance payments made without approval.

All academies are consolidated into the Department for Education's own financial statements and their auditor, the National Audit Office has also published [instructions for component auditors](#) (i.e. for all firms undertaking an academy audit). Where relevant, this information has been incorporated into the Manual, but all auditors should download and read this document.

Finally, a new Financial Handbook is effective from 1 September 2015. Although not directly relevant for current assignments, it can be accessed [here](#). The changes in this Financial Handbook are again, not significant.

We are always pleased to receive feedback on our manuals. If you have any comments on this Manual then please email [andrew@hatgroup.co.uk](mailto:andrew@hatgroup.co.uk).