



Brooke Hill Academy Trust

Audit findings report

Year ended 31 August 2022

Our ref: TLR/RAW0835/2022
Private and confidential

The Board of Trustees
Brooke Hill Academy Trust
Brooke Road
Oakham
LE15 6HQ

7 December 2022

Dear Sirs

Brooke Hill Academy Trust
Audit findings report for the year ended 31 August 2022

During the audit of the financial statements for the year ended 31 August 2022, we examined and sample tested the accounting systems which the academy trust has established to ensure that the accounting records are accurate and reliable and to ensure that its assets are safeguarded.

We enclose a report which details weaknesses in accounting and internal controls which came to light during the course of the audit.

The report includes explanations of how the weaknesses could affect your business and our recommendations on how to improve the systems – see appendix 1 - 3.

We have also included in this report a schedule showing the adjusting and unadjusted journals found during the audit – please see appendix 4.

Our report also includes details of recently released accounting standards and legislation which we would like to bring to your attention – see appendix 5. This section is for information only. Appendix 6 also lists all the “musts” that are included within the Academy Trust Handbook 2022.

We would like to take this opportunity to thank you and your staff for the assistance given to us during the course of the review.

If you wish to discuss any of the issues raised in the attached appendix in more detail, please do not hesitate to contact us.

Please note that the report has been prepared for the use of the Directors only.

Yours faithfully



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1. Scope of the audit

Our audit was carried out in accordance with Auditing Standards and with reference to the legal and regulations requirements as detailed in Section 3 of this report. Our audit approach is designed to ensure that our tests are focused in those areas where in our judgement the risk of errors is high, and where the likely impact of such errors would be significant. More specifically, this involved:

- a. Subjecting systems, controls, transactions and balances to substantive testing on a sample basis;
- b. Revising our audit plan for any significant financial matters;
- c. Subjecting the financial statements to detailed analytical review, examining key ratios, trends and other statistics, obtaining and testing explanations for any unusual or unexpected variations;
- d. Reviewing minutes of meetings;
- e. Reviewing statutory financial statements where prepared by the Academy.

It must be appreciated that the matters dealt with in this report arose from the conduct of our normal audit procedures which are designed primarily to enable us to express an opinion on the financial statements of the Academy and do not necessarily involve an examination of all aspects of your internal control procedures. The responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with Directors.

For the above reasons, our comments cannot be regarded as a full analysis of all the weaknesses or irregularities in the system of internal control or of all the financial trends or other performance data relevant to the Academy's which might be disclosed by a more detailed review nor, since we are not specifically required to search for fraud, can our audit be relied upon to disclose such matters. However, our audit was planned so that we would have reasonable expectation of detecting material misstatements of the financial statements.

This report has been prepared for the private use of the Trustees and its contents may not be disclosed to any third party without our express written consent. We assume no responsibility to any other person.

2. Independence issues

On 5 September 2022 we wrote to you identifying our perception of the principal threats to our objectivity and independence in carrying out this audit, along with the safeguards in place to mitigate those threats.

The principal threats and safeguards are repeated below:

Principal threats	Safeguards Implemented (and why they are considered effective)
<p>We are responsible for the preparation of the financial statements in addition to carrying out the audit. The service will not involve initiating transactions.</p> <p>There is a threat that, as a firm, we are perceived as being too closely aligned with the views of management to provide an independent review and/or that members of the audit team could be reviewing their own accounting work.</p>	<p>It is agreed that a senior staff member who is not involved in the audit, will carry out a review of the financial statements. This will mitigate the threat of being too closely aligned with management and ensure that all accounting judgements are impartial and that the service is just one of a technical nature.</p>
<p>We are responsible for the preparation of the Corporation Tax Return and the calculation of the associated tax liability in addition to carrying out the audit. However, as directors you remain responsible for both accounts and your Tax Returns. As independent auditors we cannot take any decisions that rightfully belong to management. Accordingly, if there are any decisions relating to the accounts or treatment of items on the Tax Return we will explain your options in layman's terms.</p> <p>However, you must make the ultimate decision.</p> <p>There is nevertheless a threat that, as a firm, we become perceived as being too closely aligned with the views of management to provide an independent review and/or that members of the audit team could be reviewing their own tax work.</p>	<p>We have extended the cyclical inspection of our completed audit engagements that is performed for quality control purposes to include a random selection of audit engagements where non-audit services have been provided.</p> <p>This independent review will comment on whether the safeguards being implemented by the firm on all audit clients are sufficient to address the threats identified.</p> <p>The independent review will also comment on whether audit work is being conducted in accordance with relevant standards and will ensure that sufficient audit work has been carried out, regardless of who prepared the original data.</p>

We consider that the safeguards in place have been sufficient to ensure our independence and objectivity has not compromised during the course of the audit.

3. Compliance with legal and regulatory requirements

In undertaking our work, we reviewed compliance with the following legal and regulatory requirements:

- Relevant Academies Accounts Direction issued by the ESFA
- Applicable accounting standards (UK Generally Accepted Accounting Practice)
- Companies Act 2006
- Charities Statement of Recommended Practice (SORP) 2019

No matters came to our attention that suggested any significant breach of these requirements.

Appendix 1- Executive summary

From the review performed, the issues noted during the review are as documented below:

(High, Medium, Low, Advisory)

Issues identified in current year audit

Issue	Recommendation	Management Response
Although a programme of internal scrutiny for 2021-24 was agreed by trustees in the previous year, no visits have been undertaken in the year. This is MUST in the Academy Trust Handbook (part 3).	All academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively.	Kerry Gray has made contact with Graham Kirby. Internal scrutiny has been booked for January and April 2023.
Financial information has not been presented to the chair of trustees every month in the format required. It is MUST in the Academy Trust Handbook that this is done (2.18).	Monthly management accounts must be circulated to the chair of trustees on a monthly basis and other trustees at least 6 times a year. The management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.	Accounts for September and October have been presented to the Chair of Trustees and Accounts Scrutiny board. This will continue to be done on a monthly basis.
Credit card statements have not been reconciled during the year, resulting in a difference of £3,556 at the year end.	Credit card statements should be reconciled to Sage on a monthly basis, and these reconciliations should be signed as authorised by an appropriate person.	Discussion with auditor and Kerry Gray has resulted in a change to the way credit cards are dealt with on Sage and the account is now being reconciled monthly.
Although bank reconciliations are completed at least monthly these reconciliations are not always signed as authorised. Reports showing unreconciled transactions are not always printed and there was no report available showing unreconciled bank transactions at the year end meaning there was a difference of £112 at the year end.	We recommend that the procedure for bank reconciliations is reviewed. The unreconciled transactions report should be printed and reviewed each month to ensure any differences are investigated in a timely manner.	Unreconciled transaction report is now being saved electronically and printed off with any issues being investigated at each reconciliation.
Control accounts for debtors, creditors and PAYE are not being reconciled monthly. There is a difference of £3,219 on the trade creditors report compared to the trial balance and an audit adjustment was required to correct the understated PAYE balance at the year end.	Control account reconciliations should be completed monthly to ensure any differences can be identified and corrected in a timely manner.	Work with CR and Kerry Gray has identified the reports and figures that need to be reconciled. This is now being done monthly.
VAT returns have been submitted late in the year. It was also noted that VAT figures for May 2022 were submitted on the VAT return for June 2022 by mistake.	VAT returns should be prepared and submitted monthly.	Issue last year with 1 return getting stuck in the system, however this was rectified during work with CR. Issue now resolved.

Unresolved issues from previous years

Issue	Recommendation	Management Response
The suspense account has a balance of £1,585 at the year end. Although this amount is not material, expenditure on Sage was understated.	Expenditure should be allocated against the correct expenditure codes on the trial balance. If the suspense account is used it should be reviewed and cleared regularly.	Review of what this expenditure is is currently being undertaken. Will be reviewed regularly going forward.
Exempt and non-vatable items are being included in box 6 of the VAT returns.	We recommend that the Trust ensures that all figures on the VAT returns are accurate. Exempt and non-vatable items should not be included in box 6.	KG will monitor.
The CFO on GIAS is not up to date.	We recommend that the Trust ensures that the information on the GIAS service is updated for all changes in a timely manner.	This has been updated following successful recruitment.
The trust currently has less than 5 legal members.	We recommend that the current members and trustees consider whether the Trust may benefit from adopting a wider membership base.	In talks with the wider governing body and external parties with a view to joining the Members board.

Reviewed by the Board of Trustees and signed on their behalf

SR. Milner.

13/12/22

Name:

Mrs Sharon Milner.

Date:

Appendix 2 – Issues identified in current year audit

Area	Observation	Implication	Recommendation	Management Response
Internal scrutiny	Although a programme of internal scrutiny for 2021-24 was agreed by trustees in the previous year, no visits have been undertaken in the year. This is MUST in the Academy Trust Handbook (part 3).	The Trust is in breach of the Academy Trust Handbook.	All academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively.	Kerry Gray has made contact with Graham Kirby. Internal scrutiny has been booked for January and April 2023.
Management accounts	Financial information has not been presented to the chair of trustees every month in the format required. It is a MUST in the Academy Trust Handbook that this is done (2.19).	There is the risk that trustees have not got the ability to have sufficient financial oversight of the trust.	Monthly management accounts must be circulated to the chair of trustees on a monthly basis and other trustees at least 6 times a year. The management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.	Accounts for September and October have been presented to the Chair of Trustees and Accounts Scrutiny board. This will continue to be done on a monthly basis.
Credit card	Credit card statements have not been reconciled during the year, resulting in a difference of £3,556 at the year end.	There is the risk of an incomplete audit trail and reconciliations being prepared incorrectly not being identified internally.	Credit card statements should be reconciled to Sage on a monthly basis, and these reconciliations should be signed as authorised by an appropriate person.	Discussion with auditor and Kerry Gray has resulted in a change to the way credit cards are dealt with on Sage and the account is now being reconciled monthly.
Bank reconciliations	Although bank reconciliations are completed at least monthly these reconciliations are not always signed as authorised. Reports showing unreconciled transactions are not always printed and there was no report available showing unreconciled bank transactions at the year end meaning there was a difference of £112 at the year end.	There is the risk of an incomplete audit trail and reconciliations being prepared incorrectly not being identified internally.	We recommend that the procedure for bank reconciliations is reviewed. The unreconciled transactions report should be printed and reviewed each month to ensure any differences are investigated in a timely manner.	Unreconciled transaction report is now being saved electronically and printed off with any issues being investigated at each reconciliation.
VAT returns	VAT returns have been submitted late in the year. It was also noted that VAT figures for May 2022 were submitted on the VAT return for June 2022 by mistake.	There is the risk that transactions are not being included correctly on the VAT returns and penalties may be due for late filings.	VAT returns should be prepared and submitted monthly.	Issue last year with 1 return getting stuck in the system, however this was rectified during work with CR. Issue now resolved.

Appendix 2 – Issues identified in current year audit (cont.)

Area	Observation	Implication	Recommendation	Management Response
Control account reconciliations	Control accounts for debtors, creditors and PAYE are not being reconciled monthly. There is a difference of £3,219 on the trade creditors report compared to the trial balance and an audit adjustment was required to correct the understated PAYE balance at the year end.	There is the risk of an incomplete audit trail and reconciliations being prepared incorrectly not being identified internally.	Control account reconciliations should be completed monthly to ensure any differences can be identified and corrected in a timely manner.	Work with CR and Kerry Gray has identified the reports and figures that need to be reconciled. This is now being done monthly.
Suspense account	The suspense account has a balance of £1,585 at the year end. Although this amount is not material, expenditure on Sage was understated.	There is the risk of expenditure being understated in the management accounts presented to trustees.	Expenditure should be allocated against the correct expenditure codes on the trial balance. If the suspense account is used it should be reviewed and cleared regularly.	Review of what this expenditure is currently being undertaken. Will be reviewed regularly going forward.

Appendix 3 – Unresolved issues from previous years

Area	Observation	Implication	Recommendation	Management Response
VAT returns	Exempt and non-vatable items are being included in box 6 of the VAT returns.	Outputs on the VAT returns are overstated.	We recommend that the Trust ensures that all figures on the VAT returns are accurate. Exempt and non-vatable items should not be included in box 6.	KG will monitor.
GIAS	The CFO on GIAS is not up to date.	There is a statutory obligation to keep Companies House and the GIAS service up-to-date for trustees, members, the accounting officer and the CFO.	We recommend that the Trust ensures that the information on the GIAS service is updated for all changes in a timely manner.	This has been updated following successful recruitment.
Members	The trust currently has less than 5 legal members.	Whilst this is compliant with your governing document, the Department for Education, are increasingly suggesting that this means there is the risk of concentrating power and a lack of diversity in the range of perspectives available. Indeed if you are required to amend your governing document, it is likely that the DfE will include a higher limit.	We recommend that the current members and trustees consider whether the Trust may benefit from adopting a wider membership base.	In talks with the wider governing body and external parties with a view to joining the Members board.

Appendix 4 - Adjusting and un-adjusting journals

Correcting and uncorrected misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Details of items corrected following discussions with you and your team are as below:

Corrected misstatements

No	Detail	Income and expenditure		Balance Sheet		Surplus/(deficit) effect
		Dr £	Cr £	Dr £	Cr £	
Surplus/(deficit) as presented for audit						(95,812)
1	Correction to wages creditor	20,438		20,438		(20,438)
2	Accrued CIF income / expenditure	27,496		27,496		(27,496)
3	Depreciation of leasehold land	17,761		17,761		(17,761)
4	Expenditure posted to suspense account	1,585		1,585		(1,585)
5	Additional credit card transactions not recorded	3,556		3,556		(3,556)
6	FRS102 pension adjustment		1,805,000		1,805,000	1,805,000
Surplus/(deficit) per audited accounts						1,638,352

Uncorrected misstatements

Uncorrected misstatements below were discovered during the course of our audit, but have not been adjusted as they are individually below the level considered trivial.

No	Detail	Income and expenditure		Balance Sheet		Surplus/(deficit) effect
		Dr £	Cr £	Dr £	Cr £	
Surplus/(deficit) per audited accounts						1,638,352
1	Duplicated invoice on aged debtor report	980		980		(980)
2	Potential bad debt	3,000		3,000		(3,000)
3	Parent pay debtors		1,275		1,275	1,275
Surplus/(deficit) per audited accounts						1,635,647

Appendix 5 – Emerging issues for information only

1. Cyber risk – RPA members

Reminder: important reminder for all RPA Members - have you met the conditions for RPA cyber cover?

To make sure your school is covered for Cyber Incidents have you met the following 4 conditions:

1. Must have offline backups
2. All employees or Governors who have access to the Member's information technology system must undertake NCSC Cyber Security Training
3. Must register with Police CyberAlarm
4. Must have a Cyber Response Plan in place

If you have any questions or would like more information, contact: RPA.DFE@education.gov.uk.

2. DfE chart of accounts

The academies chart of accounts (CoA) is the Department for Education's standard for financial data that underpins the academies accounts return and budget forecast returns.

Whilst it is not yet a must that use the standard CoA it is now 'strongly recommended'

We would recommend that you speak to your software provider to see how your accounts can quickly (and efficiently) be transferred to the standard CoA.

The DfE states the benefit of changing to the CoA is:

When a trust first converts to using the DfE's CoA, there will be an initial outlay for a trust in terms of time and effort to bring the new accounting structure into operation. However, once embedded, the benefits of using the DfE's standardised CoA are:

- *that it maps directly to the accounts return and budget forecast returns and therefore enables direct input of financial data into these returns*
- *it enables trusts to make use of the DfE's application programme interface (API) tool for pre-populating the Accounts return completing up to 80% of the AR, resulting in a reduction of data entry time*
- *enables use of automated draft financial statements via API*
- *reduces subjectivity across the academies sector and so develops the reliability of benchmarking data comparisons*
- *potential for efficiency savings*

3. Special payments / indemnities

Academy trusts must obtain prior ESFA approval before

- making a special staff severance payment where:
 - an exit package which includes a special severance payment is at, or above, £100,000; and/or
 - the employee earns over £150,000
- the following transactions beyond the delegated limits described below:
 - writing-off debts and losses;
 - entering into guarantees or letters of comfort; and
 - entering into indemnities which are not in the normal course of business.

4. External reviews of governance

An objective independent external review of the effectiveness of the board can be a more powerful diagnostic tool than a self-evaluation. External reviews are particularly important before the board undertakes any significant change - for example before a trust grows significantly, or in cases where concerns around governance arise. The Department's strong preference is that external reviews of governance are also conducted routinely as part of a wider programme of self-assessment and improvement. Reviews should also consider the interaction between members and trustees, including the extent to which members are able to assure themselves that the trustees undertake their duties effectively.

5. Uniforms

In November 2021, the Department for Education published statutory guidance for schools to ensure the cost of school uniforms is reasonable and secures the best value for money. Governing boards should now be compliant with much of the guidance – and fully compliant by Summer 2023.

Here are some key actions schools should already have taken:

- reviewed their uniform policy against the expectations in the statutory guidance (for example removing unnecessary branded items)
- engaged with parents and pupils when developing/reviewing their policy
- published their uniform policy on the school website
- ensured second hand uniforms are available
- considered any procurement needed to comply with the contract and uniform supplier requirements within the guidance (for example for any branded items) so that school uniforms are ready by summer 2023.

All schools should be fully compliant with the guidance by summer 2023.

Appendix 5 – Emerging issues for information only

6. ESFA good practice guide

The ESFA have issued a number of good practice guides. They do not replace or modify any requirements set out in the Academy Trust Handbook and the Academies Accounts Direction. They aim to provide suggestions about good practice.

Currently the following is available as a good practice guide:

- Streamlined Energy and Carbon reporting
- Operating an academy trust as a going concern
- Choosing an external auditor for an academy trust
- External audit procurement key information
- Academy trust deficit recovery
- Academy trust risk management
- Leasing guidance for academy trusts
- Academy trust management accounting
- Internal scrutiny in academy trusts
- Academy trust management letters
- External audit preparation checklist for academy trust guidance
- External audit preparation checklist
- Tendering 'jargon busting' guide for academy trusts

7. VAT – audit review

The academy is currently VAT registered and submitting monthly VAT returns.

Our audit does not examine VAT in detail and our audit procedures are not designed to detect immaterial fraud or error. Therefore, we have not reviewed individual streams of income to:

- a Assess whether the academy is over the VAT registration threshold
- a Ascertain whether the VAT reclaimed is correct

There are a number of income streams that may be liable to VAT, we have provided some common areas below, but please note this is not an exhaustive list:

1. Contracts whereby you receive commission or the net of income/costs for items such as uniform. The contract may be worded in such a way that you are actually the primary supplier and not an agent, if this is the case then you may be liable to register and charge VAT on these items.
2. The sale of meals to staff is a supply liable to VAT. The VAT treatment of outsourced catering contracts means that an Academy will act as principal in the sale of all meals. The sale of a meal to a member of staff (not a duty meal) will count towards the VAT registration limit
3. Certain supplies under salary sacrifice schemes can have a VAT implication either as the amounts count towards the VAT registration limit or VAT on expenses could be restricted.
4. Although the majority of income from letting the premises will be exempt depending on the exact nature of the "let" and to whom the let could be "taxable". If additional services are supplied as a separate cost, they would be seen as taxable. Any charges for parking would be taxable.

From experience most Academies have some business income and therefore would declare output VAT on this income..

If required Azets can organise an initial meeting with our VAT experts to discuss any potential issues or pitfalls with you.

Appendix 6 – Reminder of MUSTS as set out in the Academy Trust Handbook 2022

The requirements in the handbook brought together into one list: the 'musts'. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. Links to the relevant sections are included, which must be read in full.

Top 10 'musts' for chairs and other trustees

Personal responsibilities

- Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with duties as company directors, with charity law and the funding agreement [1.13 and 1.14]

Structures

- Ensure the board of trustees meets at least three times a year, and conducts business only when quorate [2.3]
- Approve a written scheme of delegation of financial powers [2.4]

Relationships

- Manage conflicts of interest, be even-handed with related parties, and ensure goods or services provided by them are at no more than cost, beyond the limits in this handbook [5.35 to 5.59]

Money and oversight

- Ensure the board approves a balanced budget for the financial year and minutes their approval [2.10]
- Share management accounts with the chair of trustees monthly, with the other trustees six times a year, and consider when the board meets, taking action to maintain financial viability [2.19 and 2.20]
- Ensure decisions about executive pay follow a robust evidence-based process reflecting the individual's role and responsibilities, and that the approach to pay is transparent, proportionate and justifiable [2.30 and 2.31]
- Appoint an audit and risk committee (either dedicated or combined with another committee) to advise on the adequacy of the trust's controls and risks [1.24 and 3.6 to 3.14]

Accountability and audit

- Submit audited accounts to ESFA by 31 December [4.4]
- Ensure an appropriate, reasonable and timely response to findings by auditors, taking opportunities to strengthen financial management and control [4.16]

Roles and responsibilities

- Adhere to The 7 principles of public life
- Have the skills, knowledge and experience to run the trust [1.1]
- Have at least three members, although the Department's strong preference is for five [1.3]
- Have suitability checks in place for members to ensure they are not subject to a direction under section 128 of the Education and Skills Act 2008 [1.4].
- Not have members as employees, nor have members occupy staff roles on an unpaid voluntary basis [1.5]
- Ensure regularity, propriety and value for money [1.21, 1.38 and 2.7]

- Trustees to take ownership of financial sustainability and ability to operate as a going concern [1.21]
- Ensure committees contain a majority of trustees [1.25]
- Not have de facto trustees or shadow directors [1.26]
- Include a review of the trust's governance structure and board composition in the governance statement when producing audited accounts for the first time [1.28]
- Appoint a senior executive leader (should be principal or chief executive) [1.33]
- Appoint an accounting officer (the senior executive leader) with responsibility for regularity, propriety and value for money and for assuring the board about compliance with the funding agreement and handbook [1.34 to 1.44]
- Demonstrate in the governance statement how the trust has secured value for money [1.41]
- Include a statement on regularity, propriety and compliance, signed by the accounting officer, in the audited accounts [1.41 and 4.13]
- Appoint a chief financial officer to lead the finance department [1.45]
- Have appropriately qualified and/or experienced finance staff [1.46]
- Appoint a governance professional (clerk to the board) [1.49]
- Arrange DBS checks as appropriate [1.51 and 1.52]

Main financial requirements

- Maintain robust oversight of the trust [2.1]
- Take responsibility for financial affairs, stewardship of assets and use resources efficiently [2.2]
- Describe in the governance statement how the board has maintained effective oversight if meeting less than six times a year [2.3]
- Have sound internal control, risk management and assurance processes [2.6]
- Establish a control framework that includes:
 - ensuring delegated financial authorities are complied with, and segregation of duties maintained
 - co-ordinating the planning and budgeting process
 - discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
 - planning and oversight of capital projects
 - management and oversight of assets including maintenance of a fixed asset register
 - regularity, propriety and value for money
 - reducing fraud and theft
 - independent checking of controls, systems, transactions and risks
- a competitive tendering policy [2.7 and 2.28]
- Prepare and monitor financial plans to ensure the trust remains a going concern and ensure rigour and scrutiny in budget management [2.8 and 2.9]
- Ensure budget forecasts are accurate, based on realistic assumptions and reflective of lessons learned from previous years [2.11]
- Submit a budget forecast return outturn and 3-year budget forecast return to ESFA [2.15 and 2.16]

Appendix 6 – Reminder of MUSTS as set out in the Academy Trust Handbook 2022

- Notify ESFA within 14 days if proposing a deficit revenue budget for the current financial year which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook [2.17]
- Prepare management accounts every month and take appropriate action. Measure key financial performance indicators regularly and analyse in annual trustees' report [2.18, 2.21 and 2.22]
- Manage cash position robustly and avoid becoming overdrawn [2.24]
- Have a cautious approach to investments in line with the handbook principles [2.25]
- Show that public funds have been used as intended by Parliament [2.27]
- Publish on trust's website the number of employees whose benefits exceeded £100k, in £10k bandings [2.32]
- Ensure senior employees' payroll arrangements meet HM Treasury's tax requirements [2.34]
- Not use trust's funds to purchase alcohol for consumption, except where it is to be used in religious services [2.35]
- Charge for boarding provision in line with this handbook [2.37]
- Manage risks, including contingency and business continuity planning and maintain a risk register. Board to retain oversight of risk and review risk register at least annually. [2.38 and 2.39]
- Have adequate insurance or be a member of DfE's risk protection arrangement [2.40]
- Implement reasonable risk management audit recommendations [2.42]
- Have published procedures for whistleblowing and respond properly and fairly [2.43 to 2.48]
- Be transparent with governance arrangements [2.49]
- Publish the trust's governance arrangements in its governance statement and in a readily accessible form on its website [2.50]
- Ensure governance documents are available for public inspection [2.51].
- Provide ESFA or its agents with information of sufficient quality to meet funding requirements [2.52]
- Notify DfE via Get information about schools within 14 days of changes in information about members, trustees, local governors, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer [2.54 to 2.58]

Internal scrutiny

- Check financial and non-financial controls and risks [3.1 to 3.5]
- Oversee controls and risks at constituent academies [3.13]
- Ensure information submitted to DfE and ESFA affecting funding is accurate and compliant [3.14]
- Ensure checks are conducted by someone independent, suitably qualified and experienced [3.15 to 3.21]
- Provide internal scrutiny reports to the audit and risk committee and make the findings available to all trustees promptly [3.15 and 3.16]
- Internal scrutiny must be viewed in the same way as internal audit [3.20].
- Confirm in the governance statement which internal scrutiny option has been applied and why [3.22]
- Provide annual summary of internal scrutiny to ESFA by 31 December, and provide other internal scrutiny reports on request [3.23]

Annual accounts and external audit

- Produce audited accounts, publish on the trust's website by 31 January and file with Companies House [4.1 to 4.4]
- Appoint an external auditor in writing, for the annual accounts [4.5 and 4.6]
- Put any additional services from the external auditor in a separate letter of engagement [4.6]
- Provide in the audit contract for the removal of external auditors [4.7]
- Notify ESFA immediately of the removal or resignation of external auditors, and the reasons [4.8]
- Prepare information, at DfE's request, for the sector annual report and accounts [4.9 and 4.10]
- Include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit, and address the auditor's conclusions on regularity jointly to the trust and ESFA [4.15]
- Audit and risk committee to review the external auditor's plan, annual accounts, audit findings, management response and effectiveness of the external auditor and produce annual report of conclusions [4.17]

Delegated authorities

- Obtain ESFA's prior approval for transactions beyond the trust's delegated limits [5.1]
- Make financial disclosures in the annual accounts in line with this handbook [5.2 and 5.3]
- Refer novel, contentious and/or repercussive transactions to ESFA for prior approval [5.5]
- For staff severance payments, consider the following before committing:
 - whether the proposed payment is in the trust's interests
 - whether payment is justified and value for money, based on a legal assessment
 - review the level of settlement, which must be less than the legal assessment of what the relevant body (e.g. employment tribunal) is likely to award [5.8]
- Obtain ESFA's prior approval for the non-contractual/non-statutory element of a staff severance payment of £50,000 or more (gross, before deductions) [5.10]
- Not accept a settlement for a staff severance payment unless satisfying the conditions in this handbook [5.11]
- Obtain prior approval for staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k [5.12]
- Ensure confidentiality clauses do not prevent an individual's right to make disclosures in the public interest [5.13]
- For compensation payments, base on appraisal, including legal advice, ensuring value for money [5.14]
- Obtain ESFA's prior approval for non-contractual/non-statutory compensation payments of £50,000 or more [5.15]
- Obtain ESFA's prior approval for ex gratia payments [5.18]
- Obtain ESFA's prior approval for writing off debts and losses, guarantees, letters of comfort and indemnities beyond limits in this handbook [5.19 and 5.20]
- Obtain ESFA's prior approval, before acquiring and disposing of fixed assets beyond limits in this handbook and ensure disposal achieves best price [5.23 and 5.24]

Appendix 6 – Reminder of MUSTS as set out in the Academy Trust Handbook 2022

- Obtain ESFA's prior approval for leases beyond limits in this handbook [5.26 to 5.28]
- Not pool PFI funding across a trust with multiple academies [5.30]
- Consider the funding needs of individual academies if pooling GAG, and have an appeals mechanism [5.31]
- Ensure gifts by the trust have the decision documented, and have regard to propriety and regularity [5.32]
- Obtain ESFA's prior approval before borrowing, including finance leases and overdrafts, and only use credit cards for business expenditure [5.33]
- Ensure no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain [5.36]
- Ensure no payments to trustees unless permitted by the articles and comply with the terms of any agreement with the Secretary of State [5.36]
- Obtain Charity Commission prior approval for paying a trustee for acting as a trustee [5.36]
- Ensure the board chair and the accounting officer manage their relationships with related parties to avoid real and perceived conflicts of interest [5.38]
- Recognise that related party transactions may attract public scrutiny and require sufficient disclosure in annual accounts to support accountability and transparency [5.39 and 5.40]
- Report all contracts and other agreements with related parties to ESFA in advance [5.41]
- Obtain ESFA prior approval for contracts and other agreements with related parties beyond limits in this handbook [5.42 to 5.44]
- Capture in an up to date register of interests the relevant business and pecuniary interests of members, trustees, local governors and senior employees [5.45] and interests of other individuals as described in [5.46]
- Publish relevant business and pecuniary interests of members, trustees, local governors and accounting officers [2.50 and 5.48]
- Notify ESFA of fraud or theft over £5,000, individually or cumulatively, or of any value where unusual or systematic [6.12]
- Be aware of the risk of cybercrime and put in place proportionate controls and appropriate action where a cyber security incident has occurred [6.16]
- Obtain permission from ESFA before paying any cyber ransom demands [6.17].
- Comply with a Notice to Improve [6.18 and 6.20]
- Publish the Ntl on the trust's website until it is lifted [6.19]
- Waive delegated authorities and obtain ESFA approval of certain transactions described in this handbook if the trust has an Ntl [6.21]
- Cooperate with NAO and provide help, information and explanation [6.29]

The regulator and intervention

- Arrange for letters to trusts' accounting officers from ESFA's accounting officer about the accountability framework to be discussed by the board and, where appropriate, strengthen the trust's systems [6.2]
- Provide ESFA with access to books, records, information, explanations, assets, premises and staff to assist with its audits [6.4]
- Provide ESFA with permission for any third party to provide requested information where there are concerns or an investigation is ongoing at a trust [6.5].
- Retain records for at least six years after the period to which funding relates [6.6]
- Send ESFA a financial management and governance self-assessment for new academy trusts, or constituent academies joining an existing trust [6.7]
- Submit school resource management self-assessment tool to ESFA annually [6.9]
- Be aware of the risk of fraud, theft and irregularity and address with proportionate controls and appropriate action [6.11]