

What has changed in the 2020 edition of the AFH?

The main changes are as follows:

Governance

1.14 The trustees must ensure regularity and propriety in use of the trust's funds, and achieve economy, efficiency and effectiveness - the three elements of value for money. The trustees must also take ownership of the trust's financial sustainability and its ability to operate as a going concern.

2.5 The academy trust should have a finance committee to which the board delegates financial scrutiny and oversight, and which can support the board in maintaining the trust as a going concern.

2.8 The board of trustees must:

- ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable
- take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA
- as part of its management of the trust's funds, explain its policy for holding reserves in its annual report. Information on how the trust must report on reserves is set out in the Accounts Direction.

Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> • The trustees must also take ownership of the trust's financial sustainability and its ability to operate as a going concern 	Party in place (will be improved through the workplan that has been established for the new Finance Committee)	Deliver a strategic review of financial wellbeing at each meeting of the Finance Committee as planned. Establish and review key performance indicators
<ul style="list-style-type: none"> • ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable 	In place (three-year budget forecasts considered by the Board of Trustees, monitoring information produced monthly and shared with Chair and full Board at each operations meeting. Will be improved further through the workplan that has been established for the new Finance Committee)	Deliver a strategic review of financial wellbeing at each meeting of the Finance Committee as planned. Establish and review key performance indicators
<ul style="list-style-type: none"> • take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA 	In place (three-year budget forecasts considered by the Board of Trustees)	None
<ul style="list-style-type: none"> • as part of its management of the trust's funds, explain its policy for holding reserves in its annual report. Information on how the trust must report on reserves is 	In place	External Audit will guide us on any changes that are required to the Annual Report

set out in the Accounts Direction		
Can employees be members? 1.4 No. Members must not be employees of the trust, nor occupy staff establishment roles on an unpaid voluntary basis. This requirement is effective from 1 March 2021.		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> Members must not be employees of the trust, nor occupy staff establishment roles on an unpaid voluntary basis 	In place	None
1.8 It is important, therefore, for members to be kept informed about trust business so they can be assured that the board is exercising effective governance. This must include providing the members with the trust's audited annual report and accounts as stated in paragraph 4.4.		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> Members to be kept informed about trust business including providing them with the trust's audited annual report and accounts 	In place (Members meetings throughout the year and AGM)	None
1.40 The academy trust must appoint a clerk to support the board of trustees who is someone other than a trustee, principal or chief executive of the trust. A clerk can help the efficient functioning of the board by providing: <ul style="list-style-type: none"> guidance to ensure the board works in compliance with the appropriate legal and regulatory framework, and understands the potential consequences of non-compliance advice on procedural matters relating to operation of the board administrative and organisational support. 		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> The academy trust must appoint a clerk to support the board of trustees who is someone other than a trustee, principal or chief executive of the trust 	In place but could be developed through additional training for the existing Clerk to Trustees or the appointment of the Governance Professional	Identify and organise appropriate training for Clerk to Trustees/Governance Professional
5.46 Trusts should consider whether other interests should be registered, and if in doubt should do so . Boards of trustees must keep their register of interests up-to-date at all times.		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> Boards of trustees must keep their register of interests up-to-date at all times 	Partly in place but with no formal mechanism for review or update during the year	Include a reminder at the start of each Board of Trustees meeting to ask any Trustees, who's business or pecuniary interests have changes, to inform the Clerk to Trustees immediately

Executive Team

1.26 The board must also appoint, in writing, a named individual as its accounting officer. This should be the senior executive leader. The individual must be a fit and suitable person for the role. The roles of senior executive leader and accounting officer must not rotate. The accounting officer should be employed by the trust. The trust must obtain prior ESFA approval
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<p>if it is proposing, in exceptional circumstances, to appoint an accounting officer who will not be an employee.</p> <p>1.36 The board must appoint a chief financial officer (CFO), who is (and whose job title may instead be) the trust's finance director, business manager or equivalent, to whom responsibility for the trust's detailed financial procedures is delegated. The CFO should play both a technical and leadership role. The CFO should be employed by the trust, and the trust must obtain prior ESFA approval if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee</p>		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> The accounting officer should be employed by the trust 	In place	None
<p>1.37 The CFO and their finance staff must be appropriately qualified and/or experienced. Trusts must assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations. ESFA encourages larger trusts (for example over 3000 pupils) to consider the range of accountancy qualifications available from professional bodies such as the ICAEW, ACCA, CIMA or CIPFA (including CIPFA qualifications developed in partnership with ISBL), and take this into account when filling CFO vacancies.</p> <p>1.38 CFOs should maintain continuing professional development and undertake relevant ongoing training.</p>		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> ESFA encourages larger trusts to consider the range of accountancy qualifications available from professional bodies for the CFO and their finance staff 	Partly in place (CFO has an accountancy qualification but not one of those detailed in the AFH, Finance Manager is currently training to achieve ACCA funded by the Trust, other accountancy staff are appropriately qualified/experienced)	Finance Manager to continue and complete ACCA studies
<ul style="list-style-type: none"> CFOs should maintain continuing professional development and undertake relevant ongoing training 	In place (CFO participates in appropriate professional development and training opportunities)	None

General controls and transparency

<p>2.7 The control framework must:</p> <ul style="list-style-type: none"> ensure delegated financial authorities are complied with maintain appropriate segregation of duties co-ordinate the planning and budgeting process apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations plan and oversee capital projects manage and oversee assets, and maintain a fixed asset register ensure regularity, propriety and value for money in the organisation's activities reduce the risk of fraud and theft deliver independent checking of controls, systems, transactions and risks.
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Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> Maintain a fixed asset register 	In place	None
2.12 It should challenge pupil number estimates as these underpin revenue projections, and review these termly.		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> challenge pupil number estimates as these underpin revenue projections, and review these termly 	Partly in place (estimates included in three year budgets presented to Board of Trustees. Will be improved through the workplan that has been established for the new Finance Committee)	Actual data from termly census will be presented to the Finance Committee
2.13 Boards are encouraged to take an integrated approach to curriculum and financial planning so that they are confident about planning the best curriculum for their pupils and delivering the trust's educational priorities with the funding they have available.		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> take an integrated approach to curriculum and financial planning 	Area for development	Discussion for the Finance Committee scheduled for December 2020 meeting
2.24 The trust must manage its cash position robustly. It must avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing. It may be required to report on its cash position to ESFA where there are concerns about financial management.		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> must avoid becoming overdrawn on any of its bank accounts 	In place	None
Publication of executive pay		
2.32 The trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, as an extract from the disclosure in its financial statements for the previous year ended 31 August. Benefits for this purpose include salary, other taxable benefits and termination payments, but not the trust's own pension costs. In the case of employees who are trustees, their salary and other benefits will also be disclosed in £5k bandings in the trust's financial statements, as set out in the model trustees' remuneration note in the Academies Accounts Direction.		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, as an extract from the disclosure in its financial statements for the previous year ended 31 August 	Not in place	To be produced and published following the publication of the Annual Report and Financial Statements
2.44 The trustees must agree the whistleblowing procedure and publish it on the trust's website.		
Requirement	Assessment	Recommendations

<ul style="list-style-type: none"> publish whistleblowing procedure on the trust's website. 	In place (Business Ethics and Whistle-blowing (safeguarding) Policies on the LSP website)	None
<p>Purchase of alcohol</p> <p>2.35 The trust's funds must not be used to purchase alcohol for consumption, except where it is to be used in religious services.</p>		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> trust's funds must not be used to purchase alcohol for consumption 	In place (Finance policy prohibits the purchase of any policy. An annual reminder is provided to all schools and a review is undertaken as part of the annual audit)	None
<p>2.38 The trust must manage risks to ensure its effective operation and must maintain a risk register:</p> <ul style="list-style-type: none"> Overall responsibility for risk management, including 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. Other committees may also input into the management of risk at the discretion of the board. Aside from any review by individual committees, the board itself must review the risk register at least annually. Risks management covers the full operations and activities of the trust, not only financial risks. <p>3.6 The academy trust must establish an audit and risk committee, appointed by the board.</p> <ul style="list-style-type: none"> Trusts with an annual income over £50 million must have a dedicated audit and risk committee. Other trusts must either have a dedicated audit and risk committee or can combine it with another committee, such as finance. <p>3.8 The audit and risk committee must:</p> <ul style="list-style-type: none"> direct the trust's programme of internal scrutiny ensure that risks are being addressed appropriately through internal scrutiny report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks. 		
Requirement	Assessment	Recommendations
<ul style="list-style-type: none"> Overall responsibility for risk management, including 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. 	In place (the Board of Trustees consider any additions to the risk register at every meeting and have an annual review of the register)	None
<ul style="list-style-type: none"> Aside from any review by individual committees, the board itself must review the risk register at least annually. 	In place (the Board of Trustees have an annual review of the risk register)	None

<ul style="list-style-type: none"> Risks management covers the full operations and activities of the trust, not only financial risks 	In place (the risk register include all risks)	None
<ul style="list-style-type: none"> ensure that risks are being addressed appropriately through internal scrutiny 	In place (through the workplan for the Audit and Risk Committee)	None
<ul style="list-style-type: none"> report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks 	Not formally in place	Include a formal report from the Audit and Risk Committee alongside the Board of Trustees annual review of the risk register
<p>School resource management self-assessment tool</p> <p>6.8 All trusts must complete the School resource management self-assessment tool and submit their completed checklist to ESFA by the specified annual deadline.</p>		
Requirement	Assessment	Recommendations
All trusts must complete the School resource management self-assessment tool and submit their completed checklist to ESFA by the specified annual deadline	In place	None

Internal scrutiny

<p>3.1 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.</p>		
Requirement	Assessment	Recommendations
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	In place (none financial independent assurance built in for Health and Safety and Data Management)	None
<p>3.17 The trust must deliver internal scrutiny in the way most appropriate to its circumstances. Options include:</p> <ul style="list-style-type: none"> employing an in-house internal auditor a bought-in internal audit service from a firm, other organisation or individual with professional indemnity insurance the appointment of a non-employed trustee a peer review by the chief financial officer from another academy trust. The trust should satisfy itself that the trust supplying the reviewer has a good standard of financial management and governance and should minute the basis for its decision. The peer reviewer should be independent of the trust. 		
<p>3.20 Trusts should note that the Financial Reporting Council's revised Ethical Standard states that a firm providing external audit to an entity shall not also provide internal audit services to it. The Standard includes transitional arrangements which permit existing audit engagements at 15 March 2020 to conclude. In order to minimise threats to objectivity and</p>		

independence in the internal scrutiny of academy trusts, ESFA considers that the term internal scrutiny should be viewed in the same way as internal audit.		
Requirement	Assessment	Recommendations
A firm providing external audit to an entity shall not also provide internal audit services to it.	In place. Separate organisations provide external and internal audit services	None
<p>3.18 The trust may combine the above options. The trust may also use other individuals or organisations where specialist non-financial knowledge is required.</p> <p>3.23 The trust must submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions (as presented to the audit and risk committee under section 3.15 by the person(s) or organisation(s) carrying out the programme of work) to ESFA by 31 December each year when it submits its audited annual accounts. If the trust uses additional individuals or organisations where specialist non-financial knowledge is required, as permitted under paragraph 3.18, it should reflect their findings, recommendations and conclusions as part of the summary document submitted to ESFA. The trust must also provide ESFA with any other internal scrutiny reports if requested.</p>		
Requirement	Assessment	Recommendations
If the trust uses additional individuals or organisations where specialist non-financial knowledge is required it should reflect their findings, recommendations and conclusions as part of the summary document submitted to ESFA.	Not in place	CFOO to liaise with one west and delegated services to contribute to the annual summary of areas reviewed to incorporate data protection and health and safety

Annual Accounts

<p>External audit oversight and findings - the audit and risk committee</p> <p>4.16 The audit process can support trusts by identifying areas that may require improvement. The board of trustees, taking advice from the audit and risk committee, must ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.</p> <p>4.17 Specifically the audit and risk committee must:</p> <ul style="list-style-type: none"> • review the external auditor's plan each year • review the annual report and accounts • review the auditor's findings and actions taken by the trust's managers in response to those findings • assess the effectiveness and resources of the external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering. Considerations may include: <ul style="list-style-type: none"> ○ the auditor's sector expertise ○ their understanding of the trust and its activities ○ whether the audit process allows issues to be raised on a timely basis at the appropriate level ○ the quality of auditor comments and recommendations in relation to key areas
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<ul style="list-style-type: none"> ○ the personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, the trust's managers ○ the auditor's use of technology • produce an annual report of the committee's conclusions to advise the board of trustees and members, including recommendations on the reappointment or dismissal or retendering of the external auditor, and their remuneration. 		
Requirement	Assessment	Recommendations
The board of trustees, taking advice from the audit and risk committee, must ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.	Partly in place	Build this consideration in as a formal agenda item for the Board of Trustees following the report from the external auditors

Items from 2019 AFH

2.37 The trust's management of risks must include contingency and business continuity planning.	Area for development - Internal audit of this area being undertaken in 2019-20	Act on recommendations from internal audit
2.44 The trust must ensure all staff are aware of the whistleblowing process, and how concerns will be managed.	Area for development	Publicise whistleblowing arrangements on LSP gateway
2.45 Staff should know what protection is available to them if they report someone, what areas of malpractice or wrongdoing are covered in the trust's whistleblowing procedure, and who they can approach to report a concern.	Area for development	Publicise whistleblowing arrangements on LSP gateway