

## Ten Key Things you need to know about The Academies Financial Handbook, 2018

### 1. Greater emphasis on trustees applying High Standards of Governance

#### ○ What's expected?

- Trustees should focus on the three core functions of governance
  1. Ensuring clarity of vision, ethos and strategic direction
  2. Holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of staff
  3. Overseeing and ensuring effective financial performance
- Trustees must comply with the Trust's funding agreement, its charitable objects, charity law, their duties as company directors.
- Trustees must demonstrate the three key elements of value for money (economy, efficiency and effectiveness).

### 2. Transparency and Accountability are central themes

#### ○ What's expected?

- Effective oversight by the board.
- Clear identification of governance roles and responsibilities.
- Cooperation with the ESFA, the National Audit Office and the Public Accounts Committee, as reasonable and necessary.
- Effective measures for the management of conflicts of interest.

### 3. Delivery of Assurance through Independent Challenge (internal audit)

#### ○ What's expected?

- The trust should manage a programme of risk review and checking of controls in the way most appropriate to their circumstances (e.g. some trusts may appoint an internal auditor, while some may arrange for the external auditor to conduct a supplementary programme to their usual role).

### 4. More robust process required around Executive Pay Setting

#### ○ What's expected?

- Boards must agree and document the procedure for determining executive pay.
- When setting executive pay, boards must consider proportionality relative to the public sector market, ensure independence in their decision making, and always document the rationale behind their decisions.

### 5. Reminder about Gender Pay Gap Reporting

#### ○ What's expected?

- Boards should be aware of the requirements to publish information on the Trust website regarding the gender pay gap in the organisation (Equality Act 2010 Regulations 2017).

## **6. Emphasis on the Proper Handling of Whistleblowers**

### **○ What's expected?**

- Trusts must have appropriate procedures in place for whistleblowing
- All staff must be made aware of the whistleblowing procedures as well as how any concerns will be managed.
- Trusts are responsible for ensuring that all concerns raised by whistleblowers are responded to fairly and properly.

## **7. Explanation of Reporting Requirements**

### **○ What's expected?**

- The board must ensure robust governance and effective financial management arrangements and, if it meets less than six times a year, it must explain in its governance statement how it was able to maintain effective oversight with fewer meetings.
- The trust must report on how it delivers assurance through its internal audit regime.

## **8. Confirmation of requirements around Robust Cash Management**

### **○ What's expected?**

- The trust must establish a robust control framework that includes maintaining appropriate segregation of duties, among other things
- The board (and any other committee responsible for finance), must ensure rigour and scrutiny in budget management (i.e. budget setting and monitoring).
- The trust must manage its cash position robustly and avoid becoming overdrawn.

## **9. New requirements around Related Party Transactions**

### **○ What's expected?**

- The trust must report all transactions with related parties to ESFA in advance of the transaction taking place. Note that this requirement comes into force from April 1st, 2019.
- From April 1st, 2019, trusts must obtain prior approval from the ESFA before conducting a related party transaction where:
  - The contract exceeds £20,000.
  - A contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August.
  - A contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August.

## **10. Focus on the importance of Acting on Audit Advice**

### **○ What's expected?**

- The board must ensure there is an appropriate, reasonable and timely response by the trust to any findings by auditors.
- The board must take opportunities to strengthen the trust's systems of financial management and control.

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