

# Baxter & Co

## Chartered Certified Accountants

### Registered Auditors



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#### ACADEMIES TECHNICAL UPDATE

#### ACCOUNTS DIRECTION 2015

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The EFA Accounts Direction (AD) for 2015 is now available on the gov.uk website;

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/434825/Academies\\_Accounts\\_Direction\\_2014\\_to\\_2015\\_SORP\\_2005.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/434825/Academies_Accounts_Direction_2014_to_2015_SORP_2005.pdf)

As previously predicted, for 2015 there are two Accounts Directions (AD's) depending on date of incorporation. If you are receiving this guidance, it is the 2005 SORP version that applies to you as your trust was incorporated prior to 1 January 2015.

The AD sets out the requirements for annual accounts of academy trusts. A pro-forma ("Coketown Academy Trust") is also included. The main changes to previous AD's are summarised on pages 7 and 8. In particular however;

- There is a **major change** on accounting for buildings occupied other than on a freehold or long leasehold basis. This will most often apply to church academies but others may also be affected. The AD clearly expects that most cases will involve these academies commissioning a valuation of the land and buildings for inclusion in the academy's balance sheet (the asset being valued is the right to use the property rather than the property itself). Please see 8.7.5 of the AD (page 112 to 113) for detailed guidance/arguments.
- Auditors must notify the National Audit Office (NAO) and the EFA if a modified audit or regularity report is to be issued (page 7).
- Risk Protection Arrangement (RPA) deductions from GAG are to be grossed up in the accounts (stating income before deduction and treating the deduction as expenditure-8.11.2 on page 124).
- Although recipients need not be named, if there have been any non-contractual severance payments, the amount of each must be disclosed, (note 10(b) on page 46 provides an example).
- There is new guidance on combinations (eg an expanding MAT) and dissolutions (eg an academy closing down or transferring to a MAT- see 8.9 on pages 120 to 122).

- Connected charities (8.3.1) must be consolidated (or otherwise included as a "Branch"), unless covered by exemptions (8.3.4 and 8.3.5, page 106).
- New guidance is given (at 8.10 on page 122) regarding agency arrangements with an example being given of 16-19 bursaries.
- The separate value for money statement has been replaced with a value for money section within the governance statement (4.2.5-4.2.8 pages 67 and 68 and Coketown page 26).

Other matters that remain unchanged but that are worthy of mention include;

- The Governance Statement should include details of the annual governance review (page 26).
- A description of arrangements for internal checking (eg. RO appointment or alternative arrangement), must also be included in the Governance Statement. The statement must include confirmation (or otherwise) that their schedule of work has been delivered and give details of any material control issues arising together with remedial action (page 28).
- The Accounting Officer's Statement on regularity must disclose details of any material irregularity (page 30 gives example wording).
- The requirement to disclose the remuneration of the Principal/Chief Executive and of staff trustees (in a single academy trust these will be the staff governors) remains unchanged. Note however that employer pension contributions now have to be separately disclosed (page 47 gives an example).
- Additional disclosure requirements continue to apply to MAT's particularly as regards charges for central services and analysis of funds between academies within the MAT (8.1, pages 98-103).
- Disclosure is required of any ex-gratia payments, gifts, losses, staff severance payments, etc (page 44).
- The Accounting Officer's responsibilities for regularity include maintenance of a file which details work undertaken throughout the year (9.2.23 to 9.2.26, page 132).
- Accounts and Management Letter to be submitted by 31 December 2015, using the Document Exchange Portal (1.6.1 to 1.6.7, pages 12 and 13).
- Accounts must be published on the academy trust's website by 31 January 2016 (1.6.8 to 1.6.10, pages 13 and 14).

*Specific professional advice should always be sought prior to entering into any transaction as a result of the above*

Baxter & Co  
Lynwood House, Crofton Road  
Orpington, Kent BR6 8QE  
Tel: 01689 877081  
Fax: 01689 878420  
Email: [schools@baxter.co.uk](mailto:schools@baxter.co.uk)

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