



BAXTER BULLETIN

Accounts Direction supplementary summary for 2020-2021

We hope that you, your family, colleagues and the wider trust community are well and that you are all coping with the ongoing challenges posed by COVID-19. This bulletin follows the publication of the ESFA's Academies' Accounts Direction ("AAD") supplementary bulletin issued in July 2021 which will apply in respect of academy trust accounts for the year ended 31 August 2021.

This supplementary bulletin introduces a small number of **additional** requirements which academy trusts **must** comply with in addition to those already included in the AAD 2020/21. The AAD; Framework and Guidance for Auditors; Model Accounts (Coketown) and the Supplementary bulletin can be accessed via the gov.uk website.

The bulletin does not change any of the AAD requirements or Auditor Framework and Guidance but should be read in conjunction with these documents.

In addition to additional requirements it provides **guidance** on matters arising from COVID-19 which may impact the 2020/21 accounts. The supplementary information is split - Part 1: Introduction; Part 2: Regularity and audit implications of COVID-19 aimed at academy trust **external auditors** and Parts 3-5 and Annex A primarily aimed at **trusts**.

Part 2: Regularity and audit implications of COVID-19

The reporting accountants work on regularity remains unchanged and key to the ESFA's overall assurance framework and the reporting requirements remain unchanged from the AAD.

Consideration of any application of Procurement Policy Note (PPN 04/20) and the DfE guidance following its expiry on 31 October 2020 **must** be made by the reporting accountant.

The implications of COVID-19 on the external audit opinion and regulatory report may include additional considerations to allow professional judgement to be made.

Point for action – Accounting officers **must** reflect where they have acted to support suppliers following (PPN) 04/20 and/or the DfE's additional guidance during the pandemic in their value for money review in the governance statement.

Part 3: Annual report disclosures

The impact of COVID-19 was disclosed in 2019/20's annual report. Any additional challenges or matters arising from the continued impact of COVID-19 during 2020/21 may need additional disclosure, whether positive or negative in 2020/21. Areas of particular relevance were identified as the trustees report and the governance statement.

Point for action – Trustees report - The financial review should explain how COVID-19 has impacted the financial performance in 2020/21. An explanation should be included on how any extra COVID-19 funding has been used. Financial sustainability and going concern must be considered and how any uncertainties are being addressed, including the impact on non-educational activities.

Governance Statement - should consider the impact of COVID-19 on their governance arrangements during the year. Consider the suitability and effectiveness of the risk and control framework that has been maintained.

Part 4: Financial support for COVID-19

Annex A in the supplementary bulletin lists the main COVID-19 funding streams.

Where a trust has been eligible to receive one of these funding streams it **must** separately disclose the amounts received within note 4 of the financial statements (funding for the trust's educational operations):

- Catchup premium
- Coronavirus Job Retention Scheme
- Other (DfE/ESFA) COVID-19 funding **OR** Other COVID-19 funding

(Other (DfE/ESFA) COVID-19 funding or Other COVID-19 funding does not require separate analysis unless the funding stream is material).

The above disclosures and groupings of COVID-19 funding will be replicated in note 20 (Funds).

In addition a footnote is required to disclose total costs incurred in respect of these funding streams.

No additional disclosure is required for trusts that have participated in the national free school meals voucher scheme.

Point for action – Ensure that all COVID-19 funding streams are separately identified with associated costs in respect of such funding to enable correct disclosures in the accounts.

Part 5: Other COVID-19 accounting matters

Many trusts have received laptops and other devices during the year to support disadvantaged children enabling them to access remote learning either from the DfE scheme or a third party donor. Accounting for these devices will depend upon the circumstances of acquisition as well as whether the devices have been lent or donated to the recipient. It is important to identify the terms of receiving these devices as well as whether they are then loaned or gifted to pupils. The appropriate method of accounting for them will vary depending upon circumstances.

In October 2020 The Financial Reporting Council amended FRS102 for accounting for COVID-19 related rent concessions. This concession was extended for rent due on or before 30 June 2022 and was effective for accounting periods beginning on or after 1 January 2020 – so for most academy trusts 2020/21 will be the first relevant accounting period affected.

Point for action – Trusts should consider whether the trust is acting as principal or agent when receiving laptops etc. from third parties. Does the trust have any discretion over allocation? If not, the required **disclosure** requirements are detailed by paragraph 3.125 of the AAD. Where the trust can decide whether to loan or gift the devices the accounting treatment is to reflect the transaction. Where these devices are loaned to pupils consideration of whether risks and rewards remain with the trust will be required. The fair value of these devices will then be subject to the trust's capitalisation and depreciation policy.

Where a COVID-19 rent concession on an operating lease has occurred in the year this benefit is recognised in the period in which the concession is intended to compensate. It does not apply where there is merely a 'deferral' of rent.

As always, we would encourage you to read the publications referred to herein and if you do have any queries, please do not hesitate to contact us.

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