

To: Principals/Heads of new Academies and Chairs of Governors

Dear Colleague

New Academies: information about payment arrangements and requirements for Financial Monitoring and Assurance

I am writing to you following up Peter Lauener's welcoming letter with some information that will be useful to you. The information relates to how you will receive your payments and the arrangements that are put in place so that you and we are able to carry out our respective accountability roles. I have also added the main sources of guidance for governors and managers.

Payment Arrangements

This is straightforward in that you will receive payment of your General Annual Grant (GAG) in 12 instalments, one each month. All regular payments made by us, the YPLA, are made on the first of the month (or the following working day, if the first occurs on a weekend or a bank holiday). We will make the payments into your nominated bank account and the payment dates for the rest of the 2011/12 academic year are set out in Annex 1.

Financial Monitoring and Assurance Requirements

As Academy Trusts are independent organisations, we aim to keep a reasonable balance between the independence and the need for you and us to account for the public money. The main process of assuring appropriate levels of accountability for public funds is through our financial monitoring and assurance work. We have worked with Academies to keep this under review and to a reasonable minimum that will satisfy the needs of the Academy's management team and the YPLA.

As part of our funding responsibilities we obtain assurance from you that your financial arrangements are consistent with the terms of the Funding Agreement with the Secretary of State. There are four strands to the assurance work, each of which requires you to provide some form of assurance and or information to us. By and large, the source information is that used by the Academy Trust as part of its own legal and financial management and assurance processes. I have summarised each in turn below.

1) The YPLA has to develop and maintain the financial framework within which Academy Trusts operate

You will find supporting documents and guidance published by us to help Academy Trusts to establish financial systems and control mechanisms to safeguard funds. Academy Trusts also appoint their own external auditors who act as their financial advisers. Guidance on the systems and controls which your Academy is likely to need are set out in the [Academies Financial Handbook](#) (the *Handbook*), the provisions of which apply to all Academies at all times. We are currently reviewing the form and content of the Handbook and anticipate having an updated document in place for 2012/13; this will also incorporate an audit code of practice. Until then and unless we let you know otherwise, the YPLA should be substituted for all references in the *Handbook* to the Department for Children, Schools and Families (DCSF). Part 5 Annual Accounts of the *Handbook* has recently been replaced by the document [Academies: Accounts Direction 2010/11](#).

2) The YPLA has to provide assurance that our funds have been used for the purposes intended

Every Academy Trust produces an annual financial statements (annual accounts), which must be audited by a registered auditor. The accounts are the main source of assurance for us and are submitted to us by 31 December each year, unless an alternative date has been agreed through the Academy's Funding Agreement with the Department for Education. The [Academies: Accounts Direction 2010/11](#), which is updated each year, provides guidance to you on the form and content of the financial statements and their audit.

Alongside the desk review of all submitted accounts, we carry out a sample programme of funding audits. This helps us obtain assurance about the data supplied by Academy Trusts in respect of the main drivers of the funding model. We will always notify you if your Academy is part of the sample chosen for this programme, along with more details of what the funding audit will cover.

3) The YPLA has to monitor the financial health of Academy Trusts

We know that Academy Trusts monitor and manage their own budgets and budget projections as part of the overall management of the Academy. We also monitor Academy Trusts' budget projections and actual results to make sure they remain in good financial health. For the projections, we use your finalised budget for the forthcoming academic year. That you submit the budget is a condition of the *Handbook*, and as we are preparing the revised *Handbook* I can confirm that there is no longer a requirement to submit a GAG1 and GAG2A return as set out in paragraphs 4.12 and 4.22 of the *Handbook*, and the forms on pages 136 to 139 are withdrawn. For 2011/12 you simply need to submit your budget electronically on a [GAG2 return](#). This return must be submitted to us within six weeks of you receiving your final annual funding letter. For the actual financial result we use the short [Abbreviated Accounts Return](#) (AAR) along with your annual accounts each year.

4) The YPLA has to obtain assurance that Academy Trusts have adequate financial systems and internal controls for the whole of the academic year

We seek to do this at the level of the whole system and not delve into individual Academy systems. You will see that page 73 of the *Handbook* states that the financial monitoring team will conduct a series of financial management review (FMR) visits to Academies. However, to

reduce the burden on Academies, from 2011/12 we have set up a self assessment process which means you carry out an annual self- assessment of your financial management and governance arrangements and submit a [Financial Management and Governance Return](#) to us. Although we will visit some Academy Trusts to validate the self- assessment, we expect the self assessment to be far more helpful and less burdensome to Academies. For 2011/12, returns are being submitted within four months of opening as an Academy and we will let you know the dates for submission in subsequent years.

I appreciate that all of these arrangements means quite a lot of information to assimilate and so I have summarised it along with the timetable in the Annex.

Other relevant information

Whole of government accounts (WGA) return

This return is required by Treasury in order for it to provide consolidated accounts for the whole of the public sector. The return covers the period 1 April to 31 March and the YPLA will write directly to those Academy Trusts that are required to submit a WGA return for 2011/12.

Appointment of a Responsible Officer

In addition to oversight by us, a key part of the financial management arrangements for Academies is the requirement on them to appoint a Responsible Officer (RO) to monitor and check the Academy's financial processes. Page 55 of the *Handbook* explains the role of the RO. The RO should be appointed as soon as possible during the first term of operation as an Academy. Alternatively, as set out on page 75 of the *Handbook*, you may wish to consider putting in place an internal audit service.

Charity Commission Publications

Academy Trust accounting officers and their finance directors or equivalent need to be aware of two guidance notes produced by the Charity Commission which complement the *Handbook*. These guidance notes are *CC3: The Essential Trustee – What You Need to Know* and *CC8: Internal Financial Controls for Charities*. We recommend that each member of the Academy's governing body is also given copies of these notes. They can be downloaded from the Charity Commission's website at:

www.charity-commission.gov.uk/Charity_requirements_guidance/ccpubs3.aspx

Finally, I would like to draw your attention to sources of support that may be helpful:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) provide a variety of resources to support Academies. These include two publications: *Effective Governance and Financial Management in Academies* and *CIPFA Business Solutions: Accounting for Academies*. Further information is available at <http://www.cipfa.org.uk/academies/>
- The Finance Directors' (FD) Forum is independently operated by Academy FDs and Business Managers. It provides advice and help to all Academy finance professionals. Membership is restricted to Academy finance staff and so it offers a unique opportunity for confidential support and networking. The Forum works with the YPLA to foster best practice in Financial Reporting and Governance and provides support on funding matters in conjunction with DfE and on pension matters with the LGPS. If you wish to find out more or to join the website is <http://thecityacademies.co.uk/>

- Some of the education professional associations also offer practical support and training for both members and non-members.

I hope this information has been helpful. If you have any questions please contact us at:

academiesfinancialmonitoring@ypla.gov.uk

Yours sincerely

A handwritten signature in black ink that reads "John Rawsthorne". The signature is written in a cursive, slightly slanted style.

John Rawsthorne
Director of External Assurance

Payment dates

The payment dates for the academic year 2011/12 are as follows:

- 1st September 2011
- 3rd October 2011
- 1st November 2011
- 1st December 2011
- 3rd January 2012
- 1st February 2012
- 1st March 2012
- 2nd April 2012
- 1st May 2012
- 1st June 2012
- 2nd July 2012
- 1st August 2012

Annual financial reporting timetable

Return name	Content	Year one of opening	Subsequent years
GAG2	Budget projections for 2011/12	Within 6 weeks of receipt of final funding letter	By the 31st July
Financial statements	Governors report and annual accounts for the period ending 31 August 2012	Date of incorporation on or before 28 February 2012 - deadline for submission is 31 December 2012. Date of incorporation on or after 1 March 2012 - the Academy Trust can chose to defer preparation of its first set of accounts to 31 August 2013	By 31 December
Abbreviated Accounts Return	Summary income and expenditure account and balance sheet information	As above	As above
Financial Management and Governance Return	Self assessment of arrangements in place	Within four months of conversion/opening	By 31 December
Whole of government accounts return	Financial data to 31 March 2012	Upon request from the YPLA	Upon request from the YPLA