



Education & Skills
Funding Agency

Education and Skills Funding Agency
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To accounting officers of academy trusts. Copied to chairs of trustees.

Dear colleague

As accounting officers, we all have responsibilities for financial management and control in our organisations. I therefore value enormously the job that you do to ensure public money is spent well and accounted for properly.

To help you maintain sound governance arrangements and good financial systems in your trust we have recently published some new documents that I would like to bring to your attention. I also want to take this opportunity to highlight some important new reporting requirements that will affect your trust.

Academies Financial Handbook

A new edition of the [Academies Financial Handbook](#) was published in June. This remains your definitive reference source for the financial principles and requirements your trust must follow. The 2019 edition is effective from 1 September 2019 and contains additional information in several key areas. I want to emphasise the following items in particular:

- **Internal scrutiny**

We have introduced more detailed information about how your trust must periodically check the suitability of, and level of compliance with, its internal controls. This is an area where we have found some trusts struggling to establish their approach, and sector feedback suggested to us that more guidance would be helpful.

Having an effective audit committee is the central pillar in the oversight of this work. The handbook explains that your audit committee will need to direct the programme of internal scrutiny, and must consider any recommendations made by your internal auditor or by other individuals the trust appoints to carry out the checks.

- **Submitting internal scrutiny reports to ESFA**

The handbook also introduces a new requirement for you to send an annual internal scrutiny report to ESFA by 31 December each year, summarising the work done and conclusions reached for the year. The requirement to submit this annual report will first apply in December 2020.

You can read about the full internal scrutiny requirements in sections 3.1 to 3.22 of the handbook.

In the interim, pending submission of the annual report next year, we shall be asking you to send us the trust's *most recent* internal scrutiny findings by 31 December 2019 alongside your annual accounts. For example, this could be a report for the last term, quarter, month or other period dependent upon the approach adopted in your trust, or indeed for the full year if you prefer. We will explain how to send this to us when we publish guidance in October on submitting your annual accounts.

- **Risk register**

Ensuring risks are well managed has always been a key feature of the accountability framework for academy trusts, and your approach to internal scrutiny and the checks you make must be informed by the risks faced by the trust. For this reason, we are now clarifying in the handbook that you must maintain a risk register (section 2.36), and are including a link to HM Treasury guidance to help you do this.

- **Providing contact details**

As you know, information about individuals involved in school governance must be recorded on the Department's [Get information about schools](#) (GIAS) system. These requirements are described in sections 2.51 to 2.55 of the handbook.

To help us communicate with you better, we've updated GIAS and our [guide to providing and updating academy trust governance contact information](#) as you will need to provide contact details for all of your members and trustees from 1 September 2019. We already require this information for the chair, chief financial officer and yourself.

- **Using the handbook**

Historically we have published the handbook as a pdf file, so it can easily be printed. Whilst this will continue, from September 2019 we will also be publishing it in a digital ('HTML') format that will make it easier for you to search for particular content. It will also help us identify the parts of the handbook that are most read, and to use this to improve future editions.

Academies Accounts Direction

As you are aware, the [Academies Accounts Direction](#) describes the required form and content of your annual accounts and the auditors' statements that must accompany them. We published the edition applicable to your 2018/19 accounts in March. Whilst your accounts must explain how the trust has spent its money, they also allow you to describe your wider educational objectives and what you have achieved against them. Please take full advantage of this opportunity, using the guidance in the Accounts Direction. Please also ensure with your chief financial officer that you are familiar with the changes included in the 2018/19 edition.

Having listened to academy trusts and auditors, we are also moving to an earlier publication timetable for the Accounts Direction so it is available to you before the start of each academic year. The first stage in this transition was the release of the 2018/19 edition in March. We aim to maintain this trend over the next two editions so that for 2020/21 we publish by August 2020.

Good practice guides

In recent months, we have also published a series of [factsheets](#) providing suggestions for good practice across a range of financial topics, including risk management, choosing an external auditor and management accounting.

We have released further documents in July, including guidance on internal scrutiny, which looks at areas to review and advice on reporting. We have also published guidance on [setting executive salaries](#).

These supplement the material in the Academies Financial Handbook and I recommend them to you and your board. If you have suggestions for additional areas we could cover, please [let us know](#).

School resource management self-assessment tool (SRMSAT)

In September 2018, the Department published a voluntary self-assessment tool (SRMSAT), comprising a checklist and dashboard, to help you maintain a good level of financial health and resource management. Self-assessment can, of course, be valuable for reassuring your board that things are being run well and for identifying any improvements that could be made.

The equivalent School Financial Value Standard for local authority schools has been mandatory for some years, and from autumn 2019 completion of the SRMSAT will become mandatory for academy trusts on an annual basis. We are also taking the opportunity to refine some of the questions in the checklist to provide a greater focus on good governance and financial forecasting, both in relation to requirements and best practice.

For 2019, trusts with an open academy on 31 August 2019 will need to provide a copy of the completed self-assessment checklist to ESFA by 14 November. You will not be required to submit the dashboard element.

We will publish the updated checklist as an on-line form, including more details on how to submit it, in the coming weeks.

Financial management and governance self-assessment (FMGS) for new academies

If you are a new academy trust, I also want to remind you of the requirement to complete an FMGS return. This return sets out a series of questions to help you achieve early compliance with the Academies Financial Handbook. We have published [FMGS guidance](#), which explains what you need to do, including how and when you must send it to us. FMGS is an important preventative tool to help boards assess at an early stage whether their new trust is operating with the right control framework. If it applies to your trust, please consider the return carefully and ensure you submit it on time.

Previously where an existing trust was increasing its number of academies it was required to complete an 'FMGS alternative return'. With the introduction of the mandatory SRMSAT, we will be removing this requirement from 1 September 2019.

School resource management advisors (SRMAs)

As part of the Department's wider drive to encourage peer-to-peer support across the academies sector, in 2017/18 ESFA piloted the use of SRMAs to provide free expert support and advice to trusts on all aspects of resource management.

SRMAs are practising sector experts, such as school business professionals, who work collaboratively with trusts and make recommendations about how they can direct more of their available resource to the areas that have the greatest impact on educational outcomes. When working with a trust, an SRMA will produce a report that provides a menu of recommendations about how this can be achieved. It is then the responsibility of the trust to decide which recommendations to implement, based on their individual circumstances.

We would like to make SRMA support available to any trust that would benefit from it. If you would welcome the advice and support of an SRMA, please contact the ESFA through our online contact form for more information.

Fraud risk management

Finally, I want to emphasise a message that we have highlighted previously in our weekly [ESFA Update](#) bulletins. We are aware of a significant increase in incidents of cybercrime against academy trusts in the past year, and that some of you have already experienced incidents of fraud. Our [academy trust guide to reducing fraud](#) is designed to help you manage this risk, so do familiarise yourself with the advice it contains.

We have also recently updated two related documents that provide important additional context:

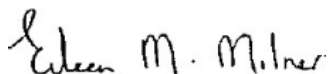
- [Indicators for potential fraud: a generic checklist for education providers](#)
- [How ESFA handles allegations of suspected fraud or financial irregularity](#)

Fraud, theft and irregularity are a constant risk to public funds. The government estimates that fraud costs the public sector between £31bn and £49bn per year. We should all therefore take any necessary action to improve our counter fraud arrangements.

In the meantime, please ensure that you share this letter with your board of trustees and arrange for it to be discussed at your next board meeting.

Wishing you a good summer break.

Yours sincerely



Eileen Milner

Chief Executive

Education and Skills Funding Agency