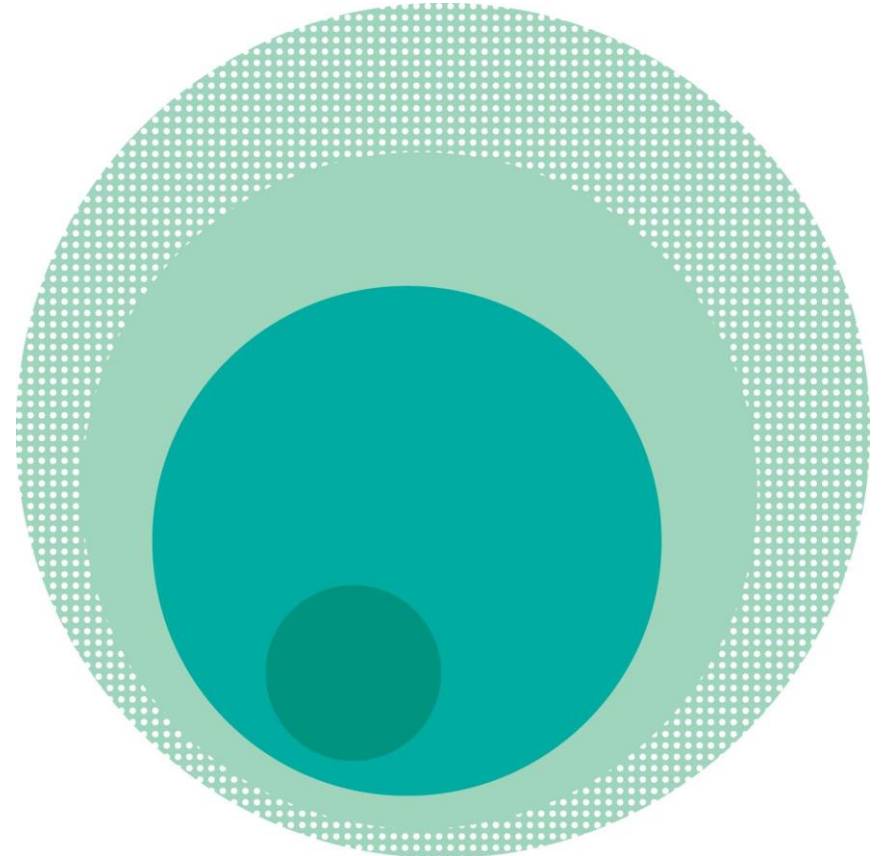


Auditors' View

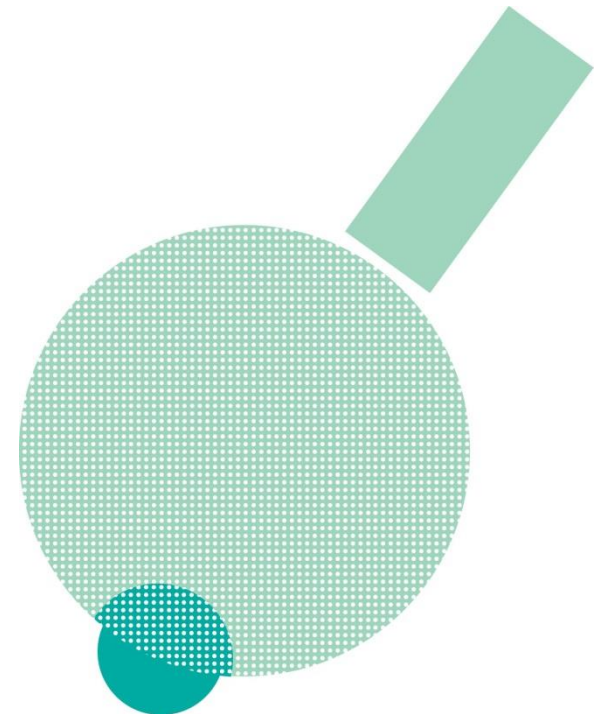
Academies Audit Reporting Season 2016/17

30 January 2018



Contents

1. Sector Summary
2. Reporting framework
3. Reporting Issues
4. Governance
5. Irregularity themes
6. Reserves
7. MATs/MACs
8. Summary
9. About UHY Birmingham



1. Sector Summary

Trust Size	Academies 2016/7	Academy Trust 2016/17	Academies 2015/16	Academy Trust 2015/16
1	1,915	1,915	2,033	2,033
2	580	290	536	268
3-5	1,338	365	1,091	304
6-10	1,061	145	675	96
11-20	468	34	414	29
21-30	347	14	204	8
31-40	178	5	68	2
40+	200	4	281	6
	6,087	2,718	5,302	2,716



1. Sector Summary (cont'd)

- In 2016/17 there were over 6,000 Academy Schools comprising almost 3,000 Academy Trusts;
- The majority are single Academy Trusts;
- However, whilst there has been an increase of almost a 1,000 schools from 2015/16, in the sector, almost all have been absorbed within existing Academy Trusts;
- 2017/18 is likely to see a further 1,200 schools becoming Academies, but **NOT** an increase in Academy Trusts;
- Overall, Academy Trusts will just become larger.



2. Reporting Framework

- The reporting framework SORP 2015 and FRS 102 now firmly established.
- Little change has resulted in Academies understanding their reporting requirements more clearly, which has made auditing them easier.



3. Reporting Issues

- Following the introduction of the Land and Buildings Collection Tool, greater clarity has been provided on who owns Academy land and buildings. This has resulted in:
 - a large number of prior year adjustments with Church owned land and buildings being removed from Academy Trust balance sheets;
 - removal of land and buildings has not affected the operational results of the Academies affected other than that the land and buildings depreciation charge has been significantly reduced.
- Reporting of:
 - Principal/Headteacher pay
 - Trustees pay
 - has been a 'non-issue' as Academies have accepted the SORP2015 requirements;
- Agency arrangements – concerning 16-19 Bursary funding has been more clearly understood;
- Staff restructuring payments have been mainly statutory and contractual rather than non contractual;



3. Reporting Issues (cont'd)

- Income recognition
 - Should the income be:
 - deferred?
 - Recognised on receipt through funds?

Depends on the terms and conditions of the income receipt.
- Catering income and expenditure
 - are catering losses to form part of GAG expenditure?
 - but catering surpluses to be included in unrestricted income?
- Lack of evidence by Trusts of allocating expenditure to specific grants.



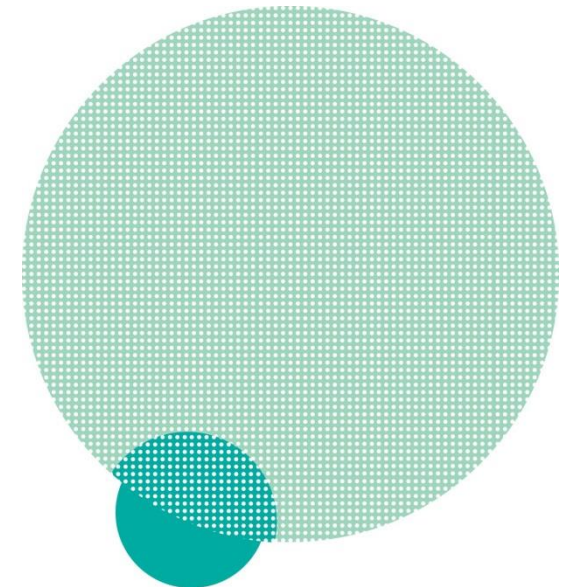
4. Governance

Governance arrangements at Academies were generally good, with Management letter issues identified being of low risk, however schools with:

- poor leadership;
- weak board of trustees;

usually had:

- financial issues;
- weaknesses in procurement practices;
- failure to disclose related party transactions;
- inadequate controls.



5. Irregularity themes

In cases where there were irregularity issues a general theme consisted of:

Overly strong
Headteacher/ Principal

Weak Board of Trustees

Under developed and
under resourced finance
departments
resulting in lack of governance
and poor financial controls

6. Reserves

- Fewer schools are reporting any significant operating surplus
- Many schools are starting to use up reserves built up from previous years
- Rising wage costs from increased national insurance and incremental wage drift in future years are likely to place an increasing strain on school budgets
- Budgetary controls will therefore become even more important and critical
- Going concern is becoming an increasing issue



7. MATs/MACs

- More and more schools are joining together as Multi Academy Trusts and Multi Academy Companies;
- Creates opportunities through economies of scale and sharing of resources;
- Inconsistent approach on due diligence undertaken by MATs/MACs for schools joining the Trust – guidance required;
- Larger MATs/MACs comprising secondary schools have less issues as have resources available;
- Smaller MATs/MACs comprising 4/5 primary schools sometimes struggling to:
 - recruit and retain finance staff of the right calibre because of limited financial resources;
 - reconcile inter MAT/MAC transactions, with many Trusts leaving this exercise to the year end.



8. Summary

UHY's view

- Academy Trusts are becoming accustomed to the Academy Accounts Direction regime
- Academy Trusts are becoming larger
- Governance at most Academy Trusts is improving
- Academy Trusts at risk are those with weak Board of Trustees and under resourced finance departments
- Budgetary control and benchmarking will become increasingly important as Academy Trusts costs continue to increase
- Going concern will become an increasing issue

9. About UHY Birmingham

- Birmingham office of UHY Hacker Young audits over 50 academies across the West Midlands comprising 30 Academy Trusts consisting of:
 - SATs
 - MATs/MACs
 - UTCs
 - Free Schools
- Nationally, UHY audits over 400 Academy Trusts across the UK from the majority of our offices

