

Academies Accounts Direction 2020-21: **WHAT HAS CHANGED?**

The Education Skills and Funding Agency (ESFA) produce the Academies Accounts Direction (AAD) annually as a guide of how to produce the statutory accounts and annual report for academies and multi-academy trusts (MATs). The AAD 2020-21 has now been released and includes the normal tweaks and clarifications, as well as additional disclosure requirements. The key changes are as follows:

Document changes

This year, the AAD has been split into three separate documents:

1. Academies Accounts Direction 2020 to 2021
2. Academies Model Accounts 2020 to 2021
3. Framework and guide for external auditors and reporting accountants of academy trusts

There are also now more references to the ESFA's good practice guides, and a new section has been added which provides feedback from the ESFA to the sector in relation to the application of and compliance with the AAD.

Trustees' report

Additional clarity has been provided on the content of the financial review section of the trustees' report and this MUST now:

- Explain the financial effect of significant events on the financial performance and financial position of the trust
- Explain the trust's principal risks and uncertainties and its plan for managing those risks
- Describe any key factors that are likely to affect the trust's financial performance or position going forward
- Explain the overall financial position of the academy trust at the reporting date
- Identify any fund or subsidiary undertaking that is materially in deficit, explaining the circumstances giving rise to the deficit and the steps being taken to eliminate the deficit

There are also a number of recommendations which trusts should comply with.

Trusts who have had a financial notice to improve during the year must now declare this and provide more information in their accounts.

Governance statement

The ESFA has highlighted some MUSTs that are frequently missed in the governance statement, as set out below:

- Key changes in the composition of the board of trustees
- Coverage of the board's work
- Details of actions taken to review the effectiveness of the board through a governance review
- Where the board has met less than six times in the year: details of how effective oversight has been maintained
- Details of how the internal scrutiny function has been delivered and how the system of internal control has been reviewed for its effectiveness, including which areas informed their review
- Details of remedial actions taken or proposed to deal with any significant control issues identified

Funding for the academy trust's educational operations

To align more closely with the Academies Accounts Return (AAR), the headings in this note have been revised.

Staff cost disclosure

Where the trust has entered into an 'off-payroll' arrangement with someone who is not an employee, the amount paid by the trust for that person's work must be included in the employee's earning over £60k banding, as if they were an employee. In addition, if they are part of key management personnel, they should also be included in the key management personnel disclosure.

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Long-term commitments

Clarification that service concession commitments, e.g. payments made under secondary agreements with local authorities, should be disclosed as part of the long-term commitments note.

Supplementary bulletin 20-21

As with the 2019-20 AAD, the ESFA plan to publish a supplementary bulletin later in the year to cover the reporting and auditing of COVID-19 related matters.

Deadlines

The ESFA have confirmed that the submission deadlines for 2020/21 are returning to 31 December 2021 for the financial statements and the 25 January (expected) for the AAR.

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