



# The Wythenshawe Catholic Academy Trust

Journeying together with Jesus Christ, we learn to love and love to learn.

## WCAT ESFA FINANCIAL HANDBOOK – POLICY ISSUES

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Saint Paul's Catholic High School

St Elizabeth's Catholic Primary School

St Anthony's Catholic Primary School

SS John Fisher & Thomas More Catholic Primary School

<b>Document Management</b>	
Title	ESFA Financial Handbook Policy Issues for WCAT
Date	May 2021
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Purpose	The purpose of this Supplementary Handbook is to summarise the ESFA Academies Financial Handbook as it relates to the Trust. This is updated each year as the ESFA revises its Handbook for Academies. This enables the Executive, Governors and staff keep up to date with ESFA requirements.
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This policy will be published on the Trust's website in the Governance section under Finance Policies

Schools within The Wythenshawe Catholic Academy Trust:

- Saint Paul's Catholic High School
- St Anthony's Catholic Primary School
- SS John Fisher and Thomas More Catholic Primary School
- St Elizabeth's Catholic Primary School

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## 1 Purpose

1.1.1 To inform Directors, Governors and staff of changes in the ESFA Academies Financial Handbook for 2020

## 2 Background

2.1 The ESFA Academies Financial Handbook runs from 1<sup>st</sup> September to 31<sup>st</sup> August. A revised is published prior to the start of the new academic year, and Directors must be made aware of any updates.

2.2 The published 2020 Handbook can be accessed at

<https://www.gov.uk/guidance/academies-financial-handbook>

2.3 The following changes have been made to requirements in the 2019 Handbook in light of COVID-19:

- The deadline for submitting financial statements to ESFA for the year ending 31 August 2020 has been extended to 31 January 2021.
- The deadline for publishing financial statements on the trust's website for the year ending 31 August 2020 has been extended to 28 February 2021.
- The deadline for submitting the trust's annual internal scrutiny report has been extended to 31 January 2021.

2.4 These extensions do not mean we have to delay our submissions so the original deadlines will be adhered to.

## 3 Key Changes in the 2020 Revision

### 3.1 Governance

Further information on governance arrangements including trustees' responsibility to maintain the trust as a going concern [1.14, 2.5 and 2.8], confirmation that members must not be employees or occupy unpaid staff roles [1.4], that members must remain informed about trust business [1.8] and that trusts must appoint a clerk **to the board** [1.40]. Also clarifying that trusts must keep their **register of interests** up to date [5.46].

The Trust is fully compliant with these changes and confirmation is included in the Annual Report.

### 3.2 Executive Team

Confirmation that both the **accounting officer and chief financial officer (CFO)** should be employees, and a requirement for ESFA approval if, exceptionally, they are not [1.26 and 1.36]. Also encouraging larger trusts to consider relevant accountancy qualifications for their **CFO**, and for all CFOs to maintain professional development [1.37 and 1.38].

The Trust is fully compliant with these changes and the CFO is a qualified accountant of the Institute of Public Finance & Accountancy.

### 3.3 General controls and transparency

Updated clarifications including maintenance of a **fixed asset register** [2.7], termly review of **pupil number projections** [2.12], use of **integrated curriculum and financial planning** [2.13], avoidance of **overdrafts** [2.24], publication of information about **high pay** [2.32] and **whistleblowing** [2.44], confirmation that the trust's funds must not be used to purchase **alcohol**[2.35], board and committee responsibilities for **risk management** [2.38, and 3.6 to 3.8] and completion of the **School resource management self-assessment tool** [6.8].

The Trust is partially compliant with this section. As identified in the Internal Audit report further work is needed on the Fixed Asset Register and this is scheduled for December 2020.

### 3.4 Internal scrutiny

Updated text including clarification that **internal scrutiny** covers both financial and non-financial controls [3.1], removal of the option for **internal audit** to be performed by the external auditor [3.17 and 3.20] and confirmation that trusts can use additional individuals or organisations to support **internal scrutiny** where specialist non-financial knowledge is required [3.18 and 3.23].

The Trust is fully compliant with this section.

### 3.5 Annual accounts

More on the **audit and risk committee's** role in relation to external audit [4.17]. Specifically the audit and risk committee must:

- review the external auditor's plan each year
- review the annual report and accounts
- review the auditor's findings and actions taken by the trust's managers in response to those findings
- assess the effectiveness and resources of the external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering.
- produce an annual report of the committee's conclusions to advise the board of trustees and members, including recommendations on the reappointment or dismissal or retendering of the external auditor, and their remuneration.

The Trust is fully compliant with this section.

## 4 ESFA HANDBOOK OVERVIEW & KEY POLICY ISSUES

- 4.1 In July each year the ESFA updates its Financial Handbook for Academies. This provides the overall financial framework Trusts must follow as set out in the Funding Agreement between the Trust and the Secretary of State. The Trust uses this to inform Directors, Governors and staff of their responsibilities and update its own Financial Handbook and procedures on an annual basis.

## 5 Summary of changes from 2019

What's New?	Handbook Reference	Compliance
Directors <b>must</b> apply the highest standards of conduct and ensure robust governance. They should follow the <a href="#">Governance Handbook</a>	Para 1.11	<ul style="list-style-type: none"><li>• Director skills audit completed</li><li>• Organisation structure produced</li><li>• Finance &amp; Governance Self-assessment completed</li></ul>
Greater emphasis on <b>Strategic Estates Management</b> <a href="https://www.gov.uk/government/publications/good-estate-management-for-schools-tools">https://www.gov.uk/government/publications/good-estate-management-for-schools-tools</a>	Para 2.14	<ul style="list-style-type: none"><li>• Need to produce and Asset Management Plan (AMP) for each Academy and Trust (March 2020)</li><li>• Need to complete a self-assessment of the '<i>top-10 estates checks for Boards</i>' (March 2020)</li></ul>
Clearer specification of the content of <b>Management Accounts</b>	Para 2.18, 2.21, 2.23	<ul style="list-style-type: none"><li>• Management Accounts are produced monthly by 28<sup>th</sup> day of the month and circulated to CEO, Heads and Committee Chairs</li></ul>

What's New?	Handbook Reference	Compliance
		<ul style="list-style-type: none"> <li>• Need to include cash flow forecasts and Balance Sheet analysis with the Monthly Management Accounts (September 2019)</li> </ul>
<p>Senior employees must only receive remuneration via payroll with income tax and NI deducted at source</p>	<p>Para 2.33</p>	<ul style="list-style-type: none"> <li>• Compliant with IR35</li> <li>• No off-payroll senior pay</li> <li>• One SLA in place at St Paul's is being paid through the payroll</li> </ul>
<p>Academies must maintain a <b>Risk Register</b>  <a href="https://www.gov.uk/.../academies-guide-to-reducing-any-risk-of-financial-irregularities">https://www.gov.uk/.../academies-guide-to-reducing-any-risk-of-financial-irregularities</a></p>	<p>Para 2.36</p>	<ul style="list-style-type: none"> <li>• Strategic Risk Register considered at Heads meeting and reported to every Audit &amp; Risk Committee</li> </ul>
<p>New arrangements for <b>Whistleblowing</b>  <a href="https://www.gov.uk/government/publications/school-complaints-procedure">https://www.gov.uk/government/publications/school-complaints-procedure</a></p>	<p>Para 2.41 - 2.46</p>	<ul style="list-style-type: none"> <li>• Whistleblowing procedure approved by Directors (July 2019)</li> <li>• The Policy includes who to report concerns to.</li> </ul>
<p>New arrangements for notifying the DfE about <b>Key Individuals</b>, who are:-  Members, Chair of Directors, All other Directors, Accounting Officer, Chief Financial Officer, Headteacher, Chair of LGB, and Local Governors</p>	<p>Para 2.51 - 2.55</p>	<ul style="list-style-type: none"> <li>• SFO notifies ESFA of changes within 14 days via GIAS</li> </ul>
<p>New requirement for the <b>Internal Auditor</b> to submit an annual Internal Audit Scrutiny Report to ESFA by 31<sup>st</sup> December</p>	<p>Para 3.1 - 3.22, and 1.17</p>	<ul style="list-style-type: none"> <li>• New duty to be incorporated in Annual Report (December 2019)</li> <li>• SFO is appointed Internal Auditor for 2019, independent auditor to be appointed for 2020</li> </ul>
<p>New requirement to provide <b>audited accounts</b> to the Members (Companies Act)</p>	<p>Para 4.4</p>	<ul style="list-style-type: none"> <li>• Audited Accounts are circulated and made available on Trust Website.</li> <li>• SFO to send Audited Accounts 2018-19 for the personal attention of Members (December 2019)</li> </ul>
<p>Greater clarity on <b>freedoms and delegations</b> and what needs <b>ESFA approval</b></p>	<p>Para 5.1, 5.64</p>	<ul style="list-style-type: none"> <li>• Summary of Freedoms and Delegations included in WCAT Scheme of Financial Delegation (July 2019)</li> </ul>
<p>Greater clarity on <b>Related Party Transactions</b> reporting and approval via ESF Related Party on-line form.</p>	<p>Para 5.40 – 5.43</p>	<ul style="list-style-type: none"> <li>• Need to review disclosure of related parties to ensure compliance and implement an</li> </ul>

What's New?	Handbook Reference	Compliance
		alert system to flag transactions in Capita SIMS (Integra)
New requirement to publish <b>Financial Notice to Improve</b> on Trust website	Para 6.15	<ul style="list-style-type: none"> <li>No threat of FNtl imminent</li> <li>CEO and SFO are aware of this requirement</li> </ul>
Clarified details of revoked powers if subject to a <b>Financial Notice to Improve</b>	Para 6.17	<ul style="list-style-type: none"> <li>As above</li> </ul>
power of the Secretary of State to remove an individual managing an Academy Trust where they have been convicted, cautioned or engaged in relevant conduct	Para 6.19 – 6.23	<ul style="list-style-type: none"> <li>CEO, SFO and Directors are aware of this power</li> </ul>

## 6 Members and Directors

### 6.1 Members

- As a company limited by guarantee the Trust has members (similar to shareholders)
- The Trust **must** have at least 3 members; the DfE's **strong preference** is at least 5
- When there are 3, all 3 **must** be registered as a Person with Significant Control (PSC Register at Companies House)
- Subscribers to the Trust's memorandum of association
- May amend the articles subject to restriction in the Funding Agreement or Charity Law
- Have powers to appoint and remove Directors
- Must** be provided with a copy of the audited annual accounts in December each year
- Employees of the Trust **must not** be appointed as members
- The DfE's **strong preference** is for a majority of members to be independent of the Board of Directors
- Members should be '*eyes on and hands off*'

### 6.2 Directors

The role of the Board of Directors (Executive Committee) is to:

- Ensure clarity of vision, ethos and strategic direction
- Hold executive leaders to account
- Oversee financial performance and make sure money is well spent
- Members may appoint the CEO as a Director but the DfE's **strong preference** is for no other employee to serve as a Director in order to retain clear lines of accountability

## 7 PART 1: Roles and Responsibilities

This part of the handbook sets out the respective roles of the Trust and ESFA

- 1.1 The Handbook is effective from 1<sup>st</sup> September each year.
- 1.2 The Trust **must** produce its audited accounts to 31<sup>st</sup> August each year and **must** submit them to the ESFA by 31<sup>st</sup> December each year.
- 1.3 The ESFA publish an Accounts Direction in May to guide the production of the accounts  
<https://www.gov.uk/guidance/academies-accounts-direction#academies-accounts-direction-2018-to-20198>  
The Trust **must** file the annual accounts with Companies House by the end of May
- 1.4 The Trust **must** file the annual accounts on the website by the end of January
- 1.5 The ESFA Accounting Officer is responsible for the regularity and propriety of SFA funds and must be satisfied the Trust has appropriate governance arrangements in place.
- 1.6 ESFA Accounting officer sends a 'Dear Accounting Officer' letter each year to the Trust's Accounting Officer. This letter **must** be shared with the members, Directors, and CFO and other senior leaders.
- 1.7 Where the ESFA has concerns about the Trusts financial management it may issue a Financial Notice to Improve (FNtl) which the Trust **must** comply with. Failure to do so is a breach of the Funding Agreement which may be terminated due to non-compliance.
- 1.8 Where an FNtl is issued all the financial freedoms are revoked.
- 1.9 The ESFA may prescribe working with an expert in school finance to avoid an FNtl
- 1.10 Directors **must** be aware of the Charity Commission's guidance for Directors  
<https://www.gov.uk/government/publications/the-essential-Director-what-you-need-to-know-cc3>
- 1.12 Directors **must** understand their statutory duties as company directors as set out in the Companies Act 2006, comprising
  - Act within their powers
  - Promote the success of the company
  - Exercise independent judgement
  - Exercise reasonable care, skill and diligence
  - Avoid conflict of interest
  - Not to accept benefits from third parties
  - Declare interest in proposed transaction or arrangements
- 1.13 Directors **must** provide details of the Trust's governance arrangements in the governance statement published in the annual accounts and website including the scheme of financial delegation.
- 1.14 The Trust **must** designate a named individual as Accounting Officer. This should be the CEO or equivalent and it should not be a rotated position.
- 1.15 The Accounting Officer is personally responsible to Parliament and the ESFA Accounting Officer for the financial resources of the Trust, particularly;
  - Achieving value for money
  - Regularity - dealing with all items of income and expenditure in accordance with law, the Trust Funding Agreement and this Handbook

- Propriety – ensuring expenditure and receipts are dealt with in accordance with Parliament’s intention, including standards of conduct, behaviour and corporate governance
- 1.16 The Accounting Officer **must** complete and sign a Statement on Regularity, Propriety and Compliance each year and submit to ESFA with the audited accounts
  - 1.17 The Trusts detailed accounting processes are delegated to the CFO who is the Strategic Finance Officer (SFO)
  - 1.18 The Accounting Officer **must** take personal responsibility for assuring the Board there is compliance with the Handbook and Funding Agreement. Where the Accounting Officer considers the Board’s action is in breach of the articles he/she **must** notify the ESFA Accounting Officer immediately.
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## 2 PART 2 – Financial Oversight

**This part of the Handbook sets out the Trust’s basic financial governance requirements**

- 2.1 Board meetings **must** take place at least 3 times a year, and only when quorate.
- 2.2 The Board **must** approve a written scheme of delegation of financial powers that maintains robust internal control arrangements.
- 2.3 The Trust *should* have a Finance Committee to which the Board delegates financial scrutiny and oversight.
- 2.4 The Trust should appoint a Clerk to the Board who is not a Director, principal or CEO.
- 2.5 The Trust appoints the CEO as Accounting Officer, who **must** have appropriate oversight of financial transactions by:-
  - Ensuring the Trust’s property and assets are under Director control and measures exist to prevent losses or misuse, including maintenance of fixed assets
  - Ensuring accounts, financial systems and records are operated by more than one person
  - Keeping full and accurate accounting records to support their annual accounts
- 2.6 The Trust **must** have a Chief Financial Officer appointed by the Board, who is the SFO
- 2.7 The CFO *should* be a qualified accountant
- 2.8 The Trust’s Accounting Officer **must** provide assurance to the ESFA Accounting Officer the Trust’s funds are in sound financial health. The BRFO and BRF forms are used for this purpose in May and July each year.
- 2.9 The Board **must** approve a balanced Budget for the financial year to 31<sup>st</sup> August which can draw on unspent funds brought forward from previous years. The Board must **minute** this approval.
- 2.10 The Board **must** notify ESFA within 14 days if it is formally proposing to set a deficit budget for the current year which it is unable to address after unspent funds from previous years are taken into account.
- 2.11 The Trust should manage its cash position, avoid going overdrawn and reconcile its bank and control accounts on a monthly basis.
- 2.12 The Board should follow the Charity Commission’s guidance on investments.

<https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-Directors-cc14>

- 2.13 The Trust should set fees for chargeable services at full cost but can apply an additional rate of return when in a commercial environment (eg sports lettings).
- 2.14 The Trust **must** have in place sound internal control, risk management and assurance processes.
- 2.15 The Trust **must** establish a control framework that recognises public expectations about governance, standards and openness. This **must** include:-
- Co-ordination of the planning and budgeting process
  - Applying discipline to banking, cash flow and segregation of duties
  - Preparation of monthly budget monitoring reports
  - Ensuring delegated financial authorities are respected
  - Effective planning and oversight of capital projects
  - Management and oversight of assets
  - Propriety and regularity of financial transactions
  - Reducing the risk of fraud and theft
  - Ensuring efficiency and value for money
  - Independent checking of financial controls, systems, transactions and risks
- 2.16 The Trust **must** have appropriate procedures in place for whistleblowing.
- 2.17 The Trust **must** recognise and manage present and future risks to ensure its effective and continued operation and **must** include contingency and business continuity planning. The Trust **must** maintain a Risk Register.
- 2.18 The Trust **must** maintain adequate insurance cover. The Trust *should* use the Academies RPA unless commercial insurance provides better value for money. Cover should at least be for:-
- Buildings and contents
  - Business continuity
  - Employers and public liability
  - Motor vehicles
- 2.19 The Trust **must** have in place a process for checking its financial systems, controls, transactions and risks.
- 2.20 The Board **must** appoint an Audit Committee to provide assurance over the suitability of, and compliance with the Trust's financial systems and operational controls.
- 2.21 Employees of the Trust *should not* be members of an Audit Committee but may attend to provide information.
- 2.22 Information sent to ESFA **must** be accurate and compliant with funding criteria.
- 2.23 The Trust *should* manage the programme of risk reviews in a way they deem most appropriate.
- Appointing an internal auditor (in-house or bought in)
  - Supplementary work by Trust's external audit
  - Appointing non-employed Director with appropriate qualifications, skills and experiences
  - A peer review from a CFO of another Trust
- 2.24 The Trust **must** publish up to date details of its governance arrangements on its website. This must include:-
- The structure and remit of the members, Directors, committees and LGBs

- Scheme of delegation and names of the chairs of each Committee
  - Details of each member who has served in the last 12 months, their names, dates of appointment/retirement, relevant business and pecuniary interest including governance roles in other institutions
  - Details of each Director who has served in the last 12 months, their names, dates of appointment/retirement, who appointed them, relevant business and pecuniary interest including governance roles in other institutions
  - The attendance for each Director, or LGB governor, over the last academic year
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### 3 PART 3: Delegated Authorities

**This part of the Handbook sets out financial freedoms and limits that apply**

- 3.1 Trusts **must** seek ESFA approval for transactions above delegated authority limits.
- 3.2 The Trust **must** ensure that:-
- Spending has been for the purpose intended and there is probity in use of funds
  - Spending decisions can be justified and represent value for money
  - Internal delegation lists exist and are applied
  - A Tendering policy and procedure is in place and applied
  - Relevant professional advice is obtained where appropriate
- 3.3 The Trust *should* refer to specific guidance  
<https://www.gov.uk/guidance/buying-for-schools>  
<https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>
- 3.4 The Trust **must** disclose aggregate figures of any amount and detailed disclosure on amounts above £5,000 for the following types:-
- Gifts and hospitalities
  - Writing off debts and losses
  - Guarantees, letters of comfort and indemnities
  - Special (Compensation) payments
  - Special (ex gratia) payments
  - Acquisition of a freehold of land and buildings
  - Disposal of a freehold of land and buildings
  - Disposal of a heritage asset
  - Taking up a leasehold on land and buildings
  - Granting a leasehold on land and buildings
- 3.5 The Trust **must** disclose in total and individually any staff severance, of any value.
- 3.6 The Trust **must** be even-handed in its relationships.
- 3.7 Directors **must** understand and comply with their statutory duties as company directors to avoid conflicts of interest, not to accept benefits from 3<sup>rd</sup> parties and to declare any interest in proposed transactions or arrangements.
- 3.8 All members, Directors, LGB governors and senior staff **must** complete the register of interests retained by the Trust, which **must** be kept up to date and reviewed and contain:-

- Detail (name and nature of business, nature of interest and dates) relevant business and pecuniary interest (eg directorships, partnerships, employments, governorships of trusts and charities).
  - Identify any relevant material interest arising from close family relationships between Trust members, Directors or governors.
- 3.9 The Trust **must** ensure the use of confidentiality clauses associated with severance payments do not prevent an individual's right to make disclosures in the public interest.
- 3.10 Trusts **must** pay no more than the cost of goods or services provided by individuals or organisations connected with the Trust.
- 3.11 The Trust **must** refer novel, contentious and/or repercussive transactions to the ESFA for explicit prior approval.
- Novel payments are those which the Trust has no experience of or outside the range of normal business activity for the Trust
  - Contentious transactions are those which might give rise to criticism of the Trust by Parliament and/or the public, and/or the media.
  - Repercussive transactions are those which are likely to cause pressure on other Trusts to take a similar approach and hence have wider financial implications
- 3.12 The Trust **must** obtain the prior approval of the ESFA for borrowing from any source
- 3.13 Credit cards **must** only be used for business expenditure and balances cleared before interest accrues. Borrowing will not normally be permitted unless it is for broader policy objectives (eg Condition Improvement Fund, or Salix).
- 3.14 The Trust *should* have a policy and register on the acceptance of gifts and hospitality.
- 3.15 When giving gifts the Trust **must** ensure the value of the gift is reasonable and with due regard to propriety and regularity and within the scheme of delegation.
- 3.16 The Trust **must** obtain the prior approval of the ESFA for writing-off debts and losses if they exceed:-
- £250,000 in total
  - 1% of total annual income or £45,000 (whichever is smaller) per single transaction
  - Cumulatively 5% of total annual income
- 3.17 The Trust *should* always pursue recovery of monies owed to it after taking into account practical and legal limits.
- 3.18 When considering a Special Payment (staff severance, compensation or ex-gratia), the Trust **must** consider the following issues:-
- Directors reasonably consider the proposed payment to be in the Trust best interest
  - Whether such a payment is justified, based on a legal assessment of successfully defending a case at Employment Tribunal.
- 3.19 Staff severance payments *should not* be made where they could be seen as a reward for failure such as gross misconduct or poor performance except where legal advice implies to cost of a Tribunal would be greater, or the cost and time of taking someone through performance management and capability proceedings is prohibitive.
- 3.20 The Trust has delegated authority to approve staff severances up to £50,000 (gross before deductions). The Trust **must** obtain the prior approval of the ESFA for any settlements above this.
- 3.21 The Trust has delegated authority to make compensation payments for loss or injury under £50,000. The Trust **must** obtain the prior approval of the ESFA for any amount above this.
- 3.22 The Trust **must** obtain the prior approval of the ESFA for any amount of ex-gratia.

- 3.23 The Trust **must** obtain the approval of the ESFA for acquiring or disposing of a freehold of land or buildings or heritage asset.
- 3.24 The Trust can dispose of any other assets without ESFA approval but it **must** ensure that any disposal achieves the best price that can be reasonably obtained.
- 3.25 The Trust does not require ESFA approval for operating leases but **must** obtain approval for finance leases (borrowing) or leasehold/tenancy agreement for more than 7 years.
- 3.26 There are no limits to the amount of GAG that can be carried forward from year-to-year but the Trust should use their GAG for the benefit of pupils.
- 3.27 The Trust may pool GAG and distribute it to Academies as it sees fit but there **must** be an appeals process if the Head feels they are being treated unfairly.
- 3.28 To comply with the Companies Act Trust **must** appoint an auditor to certify the accounts.
- 3.29 The contract with the Auditor **must** be in writing and take the form of a letter of engagement which is confined to the external audit work only. Any other services **must** be covered by a separate engagement letter.
- 3.30 There **must** be provision for the removal of auditors and the Board **must** notify the ESFA immediately if invoked.
- 3.31 The Accounting Officer's statement on regularity, propriety and compliance **must** be included in the Trust's Annual Report in a format set out in the Accounts Direction.
- 3.32 A review of the Accounting Officer's Statement **must** be included in auditors remit. Their review **must** be addressed jointly to the ESFA and the Trust.
- 3.33 New Academies joining the Trust **must** complete a financial management and governance self-assessment (FMGS) and submit it to ESFA within 4 months of joining.
- 3.34 The Trust **must** provide access to ESFA to all its books, records and other information.
- 3.35 The Trust **must** retain all financial records for at least 6 years.
- 3.36 The Trust **must** notify DfE via GIAS of the appointment or vacating of the positions of member, Director, governor, Accounting Officer or CFO.
- 3.37 The Trust **must** notify ESFA as soon as possible of any instances of fraud, theft and/or irregularity exceeding £5,000 individually or £5,000 cumulatively in any academic year.
- 3.38 The Trust **must** refer to the ESFA guidance on reducing the risk of financial irregularity.