

ACADEMIES PLUS (A+)

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WELCOME TO THE LATEST EDITION OF MOORE KINGSTON SMITH'S ACADEMY SECTOR SUPPLEMENT, ACADEMIES PLUS (A+)

So here we are in Lockdown 3.0 but things are looking much better over the horizon and if the government's roadmap for easing lockdown in England goes to plan, we should be back to normal from 21 June - fingers crossed.

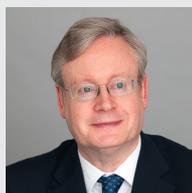
What does not change is our focus on our clients and keeping them up to date with our insights and sector news.

So with that in mind, our articles in this edition of A+ do have a focus on Coronavirus but it's also important that we keep you informed of other news that you should be aware of.

We hope you find this edition helpful and if you would like to discuss any of the articles in more detail, please get in touch. You can find our previous editions on our [academies page](#).



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FINDING THE SILVER LINING - GETTING THE MOST OUT OF YOUR TWO AUDITORS

By James Saunders, Not for Profit Partner,
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The Ethical Standard for Auditors has impacted academy trusts as they are no longer allowed to use the same audit firm for internal and external assurance. How do you make the most out of having two examiners?

For the first few years in academy world, the Responsible Officer role was a useful and important one for trusts. It was effectively written out of the 2014 Financial Handbook, at which point the term 'internal scrutiny' took over and many academies engaged their external auditors to provide the internal scrutiny that was prescribed by the Handbook.

This was convenient for trusts and was likely to be cost-effective, since one auditor could run two inspections with obvious efficiencies. The end of this dual service provision has been unpopular for reasons of cost, but understandable for reasons of independence. So the question for academy trusts is – given you are now likely to be paying more for the same services, and you are engaging two entities who could potentially find themselves disagreeing with one another, how do you make the situation work for you?

Respective roles

The first point is to understand what the respective roles are.

Under the Companies Act 2006, academy trusts must appoint an auditor to certify whether their annual accounts present a true and fair view of the trust's financial performance and position.

The external auditor is a statutory role, in place to carry out an external audit on your financial statements. If you are looking for more value from that role, you have to be aware that is not their primary function. It is perfectly acceptable for you to look for value from your external auditors, and good auditors will tread that line between auditing and advising carefully, making sure that independence and integrity are maintained. However, you need to first and foremost be looking for that clean audit opinion and a robust examination of your accounts, which will be filed publicly and will be part of the governmental financial reporting.

All academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively.

The internal scrutineer (note the avoidance of the word 'auditor' here) is something of a hybrid role, and in this case exists to do a particular job for an academy trust, as set out in the Academies Financial Handbook (AFH) extract above. It has grown out of that original aforementioned Responsible Office role and morphed into a form of examination which avoids the exacting requirements of a full internal audit service yet is a cousin to it. This is much more of a flexible tool for trusts – it is most often seen as an agreed programme of work, very often undertaken once per term, limited in scope and

focused on core financial areas, with extended focus on perhaps one or two areas of extra concern or interest each term on a rotational basis.

Keep control

The key priority here is for governors and finance teams to keep control of the agenda - set out what you want from each party and instruct them accordingly. This will likely be easier to manage in the internal scrutiny service because of the nature of that work compared with the external auditor work, where there is less scope for tailoring of work and moving between subject areas. The auditors are experts at auditing but governors along with their senior and finance teams are experts in their respective organisations – meaning that they are in many ways, best placed to make informed assessments, on the risks in their own organisations, and communicate those risks to the auditors who will consequently be better placed to target their work and efforts.



Different priorities

Recognising the different priorities for auditors and scrutineers is also important.

External auditors have their report on regularity and propriety to make, as well as their statutory audit report, which includes extra work on the specific areas of the AFH and/or the Annual Accounts Direction (AAD). In addition, their management letter (or equivalent post audit report) is submitted to the Education and Skills Funding Agency where it is part of the governance and reporting at Department for Education (DfE) level.

Internal scrutineers make their reports to a trust board and generally report in accordance with an agreed programme of work, still with reference to the AFH and the AAD but without the statutory element. However, this past year has seen the introduction of the internal scrutiny summary being submitted with the statutory accounts, so this work has also taken on a new dimension as it is reviewed at that DfE level.

Overlap

The main difficulty is that the reporting elements of the two engagements can overlap. It is very difficult to stop this happening, because there are key elements of each examination which are similar if not identical

– particularly the need to identify failures in financial controls and the pressure not to miss fraud.

Engage and improve

Using an identification of a financial controls weakness as an example, such a matter could easily result in disagreement or dispute if one auditor finds something that the other has missed or could/should have found. It is very much up to the academy trust to set the tone of how the relevant parties act and respond. While this may of course be dependent on the severity of the matter identified, engaging all parties wherever possible with a collaborative and positive team ethic will most likely produce positive results all round for the trust, with engagement and helpful contributions from the parties involved rather than any adversarial or defensive reactions arising.

Your wider team

The real crux of this article is to encourage trust boards to engage positively with both of their auditors and leverage the experience and expertise of both to generate improvements in the financial arrangements.

Understanding the differing priorities and pressures on the external auditors and internal scrutineers is vital for a trust team to engage positively with both parties, because ultimately, anyone who is engaged and consulted is going to be more useful to a trust board than a disengaged or uncooperative party.

DON'T FALL ASLEEP – PROTECT YOUR ACADEMY FROM CYBER CRIME

By Maritz Cloete, Director of Cyber Security, ClearComm

One in five schools and colleges in the UK has fallen victim to cyber crime, according to recent research from specialist insurer **Ecclesiastical**. They found that of those that suffered a cyber attack, half of these occurred through staff falling for phishing e-mails, a third of attacks were facilitated through stolen user passwords and a third ended up being victims of ransomware attacks.

This year, cyber criminals have flocked to ransomware as their chosen method for quickly cashing in on their victim's misery. It is now easier than ever for criminals to get their hands on the tools necessary to carry out ransomware attacks, as there is a thriving black market economy where these tools are rented out based on profit-sharing between the criminal and the ransomware developers. Phishing and stealing user credentials remain firm favourites as easy routes to get this type of malware



onto the victim's computer.

We have also seen a sharp rise in 'double-extortion' ransomware attacks, where an attacker makes a copy of their victim's data before encrypting it, and then extorting the victim for both the decryption keys and the promise not to publish the stolen data. A cyber criminal recently revealed in an **interview** with The Wire that targeting organisations in some sectors almost always results in a pay-out, and where companies are subject to the EU GDPR, UK DPA or other similar punitive legislation, a payout is pretty much guaranteed. And the attacker is almost certain of a payout if the victim has cyber insurance.

Academy trusts need to assume responsibility and be alert to the risk of fraud, theft and irregularity and address it by putting in place proportionate controls. In the context of the ransomware threat, ensuring that your trust and schools are resilient to major threats such as ransomware is for all intents and purposes a mandatory requirement.

The first step is to get the cyber security basics right. Front and centre to this is regular staff security awareness and training to ensure your 'human firewall' is aware of the techniques employed by attackers to steal login details or trick staff into installing malware on their computers. Implementing basic cyber hygiene measures such as those outlined in the **Cyber Essentials scheme** should also be a priority, as these measures help prevent your school from falling victim to opportunistic attackers in the lookout for vulnerable victims.

ClearComm is part of Moore Kingston Smith, a dynamic led professional UK firm of accountants and business advisers delivering Data Privacy, Cyber Security, Business Continuity and Information Security solutions to organisations worldwide.

UNDERSTANDING YOUR VAT REGIME

By Debbie Jennings, VAT Director, Moore Kingston Smith

Although academies have a special VAT regime which allows them to recover VAT incurred on expenditure in relation to the teaching activities, the overall VAT compliance for this sector can be anything but straightforward. Two areas that often give rise to VAT queries include the VAT treatment of lettings, especially sports and sporting facilities, and the secondment of staff to other organisations or schools.

The queries stem from the VAT treatment of income received from the carrying out of these activities, as well as the impact on VAT that may be incurred on associated expenditure. Like any other area of VAT, you need to assess the full facts relating to the circumstances, and ideally do this at the start of the proposed activity.

These include:

- Income from all types of lettings can be exempt from VAT or subject to standard rate VAT. If the academy trust is not registered for VAT, then income from taxable supplies goes towards the VAT registration threshold. Therefore, as well as highlighting a potential liability, there is the need to monitor VAT registration thresholds where required.

- VAT exempt lettings can be the hire of a room or space for a particular period of time, where the hire is of a specific area. This is referred to as a supply of land for VAT purposes, but this could become subject to standard rate VAT if the letting also included catering and additional services.
- The supply of sports facilities can also be exempt from VAT, but specific conditions must be met for these exemptions to apply. The conditions include the length of time of the letting, how many sessions are booked, the nature of the sports facilities provided to the hirer, the type of hirer, etc. There is no 'clear-cut' rule here, the types of lettings and the specific details would need to be reviewed in order to arrive at the potential VAT treatment.
- Secondment of staff, even where the payment is straight cost recovery, is generally a taxable supply for VAT purposes. This can often be overlooked and the liability not taken into account for the purposes of charging VAT, or as part of the VAT threshold calculation. However, where the person being seconded is part of the teaching staff, and they are going to another school to deliver teaching to pupils, this may be regarded as part of the main academy non-business activities. If not, and the customer does not want to pay VAT to the seconding academy, then it may be possible to treat the arrangements as falling outside the scope of VAT. This could be done by having joint employment contracts, or, if the staff member is going to work entirely for the other organisation for a period of time, the original employment contract could be suspended and the person would go onto the payroll of the other organisation.

VAT operates as a self-assessment regime, so it is up to the taxpayer to operate a compliant and effective VAT system. However, the practicalities of this may not be so easy.



ENSURING YOUR EMPLOYEES' WELLBEING WITH AN EMPLOYEE ASSISTANCE PROGRAMME

By Holly Bateson, HR Consultant, Moore Kingston Smith HR Consultancy

An Employee Assistance Programme (EAP) is a tool that is designed to help employees access support with their wellbeing and general health. While many

schools will have one in place, it is not always well communicated and in the current environment, it has become even more important for your staff to access these valuable tools quickly and reliably.

What is an EAP?

Essentially, an EAP offers a 24/7 helpline with access to experienced therapists or legal/financial advisors for employees. The service is offered by a number of different providers and can be used by all employees in order to confidentially discuss professional or personal problems.

The education sector was the second most supported sector by Health Assured, an EAP provider, in 2020. The provider claims that 35% of their clients saw a reduction in workplace stress after their service was implemented and anxiety was the top reason employees made contact with them; this is up 36% from 2019.

When can an employee call the service?

The service provider can put employees in touch with a therapist or advisor to discuss a wide variety of problems that employees can experience in their lifetime including bereavement, stress and anxiety, debt, divorce, substance abuse or domestic violence. The list is not exhaustive and employees can find kind and non-judgemental support for any issue that is negatively impacting their wellbeing.

An EAP provider is also a great tool for managers who can find support on a range of sensitive employee issues such as stress management, conflict resolution, team building, post-trauma support and communicating change. As an employer, if you are concerned about an employee's wellbeing and are unsure of how to help them, a quick call to the helpline can provide useful guidance on how to engage in difficult conversations.

What support will employees be offered?

Employees can independently and confidentially call the service to get the support they require. The school does not need to refer the employee to the provider and the contents of the call will remain completely confidential. The school can only access information of how many employees have made use of the service each period.

The employees will be offered advice or support over the phone and in some instances the provider will assess whether the individual requires ongoing support. With the employee's agreement, they may provide up to 10 face-to-face counselling sessions or another talking therapy for the individual. The school can choose to pay for further sessions for employees at their discretion.

Depending on the provider, the EAP can also provide online tools and support such as nutritional advice, budgeting tools and wellbeing webinars. Some providers also allow an employee's immediate family to take advantage of the service.

What are the benefits for the employer?

Currently 59% of long term absence cases are due to employees' poor mental health, whilst 46% of cases are related to stress (CIPD). Choosing to partner with an EAP provider is a proactive way to address issues quickly before they escalate. Therefore the service aims to consistently support the wellbeing of your employees, reduce absences, ease staff turnover and ultimately reduce the associated costs for the employer.



Unfortunately employers do sometimes have to make difficult business decisions that can impact employees and can cause heightened levels of stress. Partnering with an EAP provider can give employees support to help manage the change in their life and help meet your duty of care as the employer in these situations.

The service is a great tax-free staff benefit and provides an individual with a useful tool, someone outside of the school/home they can talk to and resources they can independently access at their convenience.

NEWS IN BRIEF

BUDGET 2021

Following the recent Budget we have summarised the key announcements. View our [summary](#).

OFF-PAYROLL WORKING IN THE PRIVATE SECTOR – EDUCATION

The changes that were introduced to the public sector regarding off-payroll workers have been widened to the private sector and will take effect from 6 April 2021. As this area will be under further scrutiny the academy schools may need to ensure they are fully compliant.

As a reminder these changes will affect schools who engage with individuals, consultants, contractors or freelancers who provide their services through their own company. [Read more](#).

WITHDRAWAL OF THE 'REPRESENTATIVE OCCUPIERS' CONCESSION FOR LIVING ACCOMMODATION

HMRC have undertaken a review of all Extra Statutory Concessions and determined that this one would be withdrawn with effect from 6 April 2021. [Read more](#).

HOSTING AND RECORDING ONLINE SESSIONS DURING THE CORONAVIRUS PANDEMIC

Schools are now generally more experienced and equipped to deliver online learning, with resources for delivering educational provision remotely.

So, it remains of paramount importance that they follow the current government guidance on remote learning and ensure that they have safeguarded their staff and pupils from the risks associated with remote provision. [Read more](#).

PULSE SURVEY: NOT FOR PROFIT SECTOR

Back in 2020 Moore UK released the results of their first pulse survey aimed at the education and charities sector.

The survey results showed that around 9 in 10 of both schools and charitable organisations are confident in their general outlook for the next 12 months. Going forward the vast majority of schools were confident in hitting their income targets over the next 12 months.

You can access the full survey results on our website, including statements on school redundancies and reserves. View the survey [here](#).

BREXIT

Our Brexit hub contains a wealth of information – from our own insights to webinar recordings, our hub will guide you through what can be a very complex subject. [Enter our hub](#).

CORONAVIRUS HUB

Our Coronavirus Hub provides you with all the latest updates from the government and our own insights which provide areas of key considerations we hope you will find useful. [Enter our hub](#).

NOT FOR PROFIT 2021 WEBINAR PROGRAMME

Our webinar programme covers a wide range of topics to help you through this very uncertain time.

For further information on all our webinars, please visit www.mks.co.uk/events.

If you would like to discuss these articles in more detail, please contact educationperson@mks.co.uk quoting A+ March 2021.

For all education related news and insights, please click [here](#).



MEET OUR AUTHORS



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James specialises in the not for profit sector, in particular the education sector and is a trusted adviser to academies, multi-academy trusts and independent schools. He is a regular presenter at education sector events and participates in governmental forums.



Maritz Cloete, Director of Cyber Security, ClearComm

Maritz is a full member of the Chartered Institute of Information Security and a Certified Information Systems Security Professional. He has more than 15 years' experience in delivering information and cyber security consultancy across a wide range of industries, including implementing standards such as ISO27001.



Debbie Jennings, VAT Director, Moore Kingston Smith

As a member of the Chartered Institute of Tax, Debbie combines a high level of technical expertise with an ability to communicate complex VAT issues in plain English. With over 25 years' experience in VAT consultancy across a range of sectors, she has particular expertise in advising the not for profit sector and all areas of property and construction.



Holly Bateson, HR Consultant, Moore Kingston Smith HR Consultancy

Holly is an HR professional who has gained her experience across the not for profit, hospitality and retail sectors. She has an HR generalist background, leading on projects to improve employee engagement and wellbeing while partnering with and advising senior leaders.

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