



# Education Committee

House of Commons London SW1A 0AA  
Tel 020 7219 1376 Email [educom@parliament.uk](mailto:educom@parliament.uk)  
Website [www.parliament.uk/education-committee](http://www.parliament.uk/education-committee)

Jonathan Slater  
Permanent Secretary  
Department for Education  
Sanctuary Buildings  
Great Smith Street  
SW1P 3BT

8 November 2016

Dear Jonathan,

Thank you for coming to the Committee on 25 October to discuss issues relating to the Department's finances, including the changes being made to the way in which academies are accounted for. The Committee has now had an opportunity to reflect upon the 'dry run' of the Sector Annual Report and Accounts, and provide our comments below.

Overall, we remain to be convinced that the revised arrangements will provide an adequate level of transparency and accountability of the Department's expenditure on academy schools. The unexplained delay of the publication an Academies Annual Report for 2014-15 limits the usefulness of the dry run.

We have had the benefit of the comments of the Comptroller and Auditor General on 25 October and look forward to receiving his considered view of the dry run and Department's progress. Meanwhile, our concerns about the Department's ability to stick to its timetable remain. We are encouraged by the C&AG's opinion that the Department is committed to resolving these issues.

However, the Department must do more to demonstrate its commitment to accountability of around £18 billion pounds' worth of public money.

## **Structure, overall content and timing**

As the first set of published audited sectoral accounts will differ from the dry run in a number of ways, we are unable to make a full assessment of how the final product is likely to look. Nevertheless we have several observations:

- We expect the information currently published in the academies performance report to be included and fully integrated into the sectoral annual report and accounts from 2015-16;
- The Committee should be informed early of any likely delays beyond the current June 2017 target date for publication of the 15-16 report and accounts;



- the new report and accounts should be compliant with the Treasury's Financial Reporting Manual Guidance. Your letter suggests there is still some work to do here.
- All the gaps in information in the dry run will need to be filled in the live version and the comments marked "ESC note" followed up.

### **Presentation**

The Sector Report should be accessible and easily understood by an informed, but non-specialist reader. The Department should consider presenting information in graphical form in a clear and accurate way where possible.

### **Governance**

Lines of accountability and governance need to be fully and clearly explained. The current sections 3.26 to 3.30, while setting out activities which the Education Funding Agency and Regional Schools Commissioners have performed, does not currently make clear their role in the accountability chain, and we would like to see further clarification.

The placeholder on reported frauds (para 3.47) should include actions taken as a result of reported frauds in the sector.

Further information should be given on any "notices to improve" which have been issued.

### **Remuneration**

The publicly-funded nature of academies means that transparency over the remuneration of trustees is essential for public confidence. The Department should consider applying the same level of disclosure to academy trustees as applies to members of the Civil Service.

Furthermore, greater detail should be provided of cases where individual trustees receive over £150,000. As a minimum, further information should be given of anyone in this category who is not a headteacher or principal. The Department should consider breaking down the £150,000+ band. We note the C&AG's observation that "although people do not always like transparency, normally it produces better results than the alternative".

### **Parliamentary accountability report**

In the absence of a Statement of Parliamentary Supply, it is critical that there is a clear exposition of the relationship between voted funds (grants) and funds spent, such as the proposed "grant tracker", and that this tracker is clear and understandable.



## **Comptroller and Auditor General**

We await the Comptroller and Auditor General's comments on the dry run report.

### **Financial statements**

In this and other sections, the basis of any past year comparators (from 16-17) will need careful explanation. The basis on which you provide past year comparators needs to be agreed with NAO and in compliance with relevant guidance.

### **Notes to the accounts**

We would like to see further detail provided in relation to elements of the notes. The definition of 'large' in each case (see below) should be subject to discussion with NAO, and consistent with guidance in *Managing Public Money* and the Treasury's *Financial Reporting Manual*. In particular, we would like to see:

- Note 1: Income: Detail of large donations – sources and destinations;
- Note 2: Staff costs. Explanation of what is meant by 'staff restructuring costs';
- Note 16: Provisions. Details of any large increases to provisions;
- Note 21: Commitments under Private Finance Initiative: Information on what these contracts relate to would be helpful. Likewise for on-balance sheet PFIs;
- Note 22: Losses and special payments: Details of any amounts within the usual thresholds and any lessons for management;
- Note 24: Contingent liabilities. Further detail, equivalent to that provided in the consolidated accounts, on the nature, size and likelihood of such liabilities should they occur;
- Note 25: Related party transactions. Further to the points raised at our meeting we would like to see further details of any related party transactions which gave rise to cause for concern, action or revised procedures. This should include instances of where the correct procurement processes were not followed or items were not procured at cost from related parties.

In some cases it may be more appropriate to include some of this information in sections such as that on governance, rather than in the notes.

### **Accounting policies**

Note 4: Land and buildings. The value of any adjustment and the basis for it should be explained.



I have asked the Clerk of the Committee to make arrangements for a further public session in the New Year to take stock of the Department's progress. You undertook to write to us by the end of February; it is likely that our next meeting will follow that decision.

This letter will be published on the Committee's website on Wednesday 9 November, along with the dry run as provided to the Committee. I am copying this letter to Sir Amyas Morse, Andrew Tyrie MP and Meg Hillier MP.

Yours sincerely,

*Neil Carmichael*

**Neil Carmichael MP**  
**Chair of the Education Committee**