

Regulatory Insights for Academy Trusts 2023 series:

Academies related party disclosures

Why are auditors concerned with related party disclosures?

Audits are carrying an ever-increasing amount of regulation, especially within public funded organisations. With this in mind, the reporting of related parties is under more scrutiny than ever before and is a key area of focus for auditors and regulatory bodies alike.

We need Trustees, Members and Key Management Personnel to declare their related parties (including close family/connected parties) to us as their auditors. This involves the completion of a related party declaration form or access to a register maintained by the trust which contains this information.

What are the statutory disclosure requirements?

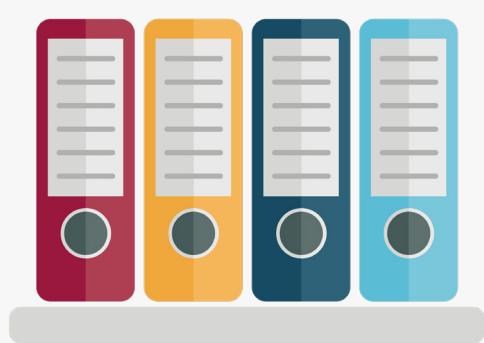
Within the statutory accounts:

Section 9.15 of the Charity SORP states:

"Related parties include a charity's trustees (and members) and their close family members and those entities which they control or in which they have a significant interest. Entities related to a charity include any subsidiary, joint venture or associate of the charity."

For each of the parties, the disclosure must include:

name, relationship, transaction detail, amount, any terms or guarantees, outstanding balances and any other element necessary for understanding.



Additional disclosure to the ESFA:

The Academy Trust Handbook 2022 states that

*"trusts **must** report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's related party on-line form. This requirement applies to all such contracts and agreements made on or after 1 April 2019."*

Trusts must declare their intention to enter into a new agreement before confirming the transaction with a related party supplier. This includes agreements being renewed with a related party supplier. The Academy Trust Handbook 2022 further states that:

*"trusts **must** obtain ESFA's prior approval where any of the following limits arise:*

- **a single proposed contract or agreement** with a related party exceeds £20,000; or
- **a proposed contract or agreement of any value** that would mean the cumulative value of contracts or agreements with the same related party exceeds £20,000 in a financial year ending 31 August."

This is not applicable to income transactions with related parties.

Importance of completing a declaration form (including stating close family)

We need Trustees/Members to declare their related parties including details of close family members. This information needs to include details of the Trustee/Member, their business interests, the natural persons connected to them (close family*) and any connected entities of any of these persons where there is a substantial interest or substantial influence.

It is important that the names of connected persons (close family) are recorded, even if they do not have any substantial interests or influences.

It is best practice to also include the interests and close family of a trust's Key Management Personnel. These are senior staff members with significant influence over finances and spending decisions – as a minimum the Accounting Officer and Chief Finance Officer should complete declaration forms.

Declarations must be reviewed and updated as soon as any changes are known.

All new Trustees and Members should be declaring this information before they are appointed.

Trust Finance teams should be alert to any potential conflicts or related party transactions before they take place if possible.

FAQ's

Q: Which family members constitute 'close family members' of the trustees and members and therefore should be included in the declaration form?

A: Spouse, parents, grandparents, children (over 18), grandchildren, siblings and step & in-laws. Disclose full name, relationship to member/trustee and any significant business interests. Please note, friends with companies who supply services to the school should not be included.

Q: How do you define 'significant interest'?

A: Significant interest/substantial influence signifies a majority shareholding, an executive director (or non-executive director if they have significant influence), or control through other parties such as holding companies. Trusteeships in other academy trusts and charities are also caught by this.

Q: Is it just trustees & members that need to complete declaration forms?

A: It is best practice to also include the interests and close family of a trust's key management with significant influence over finances and spending decisions – as a minimum the Head and Business Manager/CFO should complete declaration forms.

Q: How much information needs to be disclosed on our website? Is consent required for this?

A: Only disclose relevant business interests on your website. Please do *not* list the names of family publicly – you only need to keep individual's names on an internal register.

Q: Would the local governors (within a multi academy trust) need to complete declarations of interest?

A: No, as they do not hold significant influence at trust level. However, there can be exceptions to this. They can complete a declaration form if they make significant executive decisions on spending and buying. Whilst this may be considered over-disclosure, we would encourage transparency.

Q: What about GDPR? Do they have to tell us?

A: The auditor is required to conduct their audit in accordance with relevant auditing standards by s4 of The Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016/649). The data is therefore processed to comply with a legal obligation in accordance with article 6(1)(c) of the General Data Protection Regulation. Such processing does not require the consent of the data subject.

Support and guidance available



[ESFA Academy Trust Handbook 2022](#)



[Section 9.15 of the Charities SORP](#)



[Section 33 of Financial Reporting Standard 102](#)

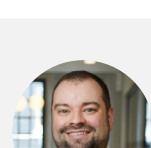
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