

Our Children 1st
Audit Findings Report
Period ended
31 August 2019

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Section 1: Introduction

The audit of the academy for the period ended 31 August 2019 is substantially complete, subject to the clearance of final matters with the Governors and the following information:

- Academies Accounts Return (AAR); and
- Signed letters of representation.

The primary purpose of this Audit Summary Report ("the report") is to summarise our principal findings relating to judgements and estimates made by management in preparing the financial statements and to highlight the impact of accounting areas on the results of the academy.

The scope of our work has already been communicated to you via our Audit Plan.

This report covers the following areas:

- status of the audit and any unresolved misstatements;
- matters arising from the audit including any control matters;
- status of recommendations made in the previous period;
- the management representations that will be required from the Governors in respect of the academy; and
- other matters that might be of general interest.

We are required by auditing standards to discuss with the Governors known misstatements and to consider qualitative and quantitative factors assessing materiality for each of these items except those that are clearly trivial. Unadjusted misstatements arising from the audit work are summarised at Appendix B.

You are required to review these and inform us of whether there are any further adjustments to be made to the financial statements, and provide us with a reason why the remaining misstatements should not be adjusted for. Those that have been already processed have been agreed with management and are included in Appendix A.

We would like to take this opportunity of thanking the Governors and staff, and in particular Nicola Russell and her accounts team, for their assistance during the course of our audit.

Approved by

Clive Owen LLP

Client confirmation:

I confirm that the above document has been circulated amongst the Governors and we acknowledge the content of the report and those matters raised.

Signed.....
(Signed for and on behalf of the Board)

Section 2: Communication to those charged with governance

The International Standard on Auditing (ISA) 260 "Communication with those charged with governance" sets out those matters that must be communicated by the auditors to those charged with governance. This report sets out a number of required communications:

- Auditors responsibility to consider misstatements in the financial statements.
- Governors collective and individual responsibility to fraud
- Confirmation of the independence of the firm and audit team members
- Consideration of any material risks and exposures
- Consideration of audit materiality
- Schedules of adjusted and unadjusted errors
- Consideration of uncertainties casting doubt on the ability of the entity to continue as a going concern
- Consideration of related parties and associated transactions
- Consideration of post balance sheet events
- Material weakness in accounting and internal control system
- Significant difficulties encountered during the audit
- How we have satisfied ourselves with regard to significant accounting estimates used in the financial statements.

In addition, the following areas have been covered either through the engagement letter we have in place, the Audit Plan and/or discussions with management in the course of the audit:

- Terms of engagement
- Communication of audit scope, timing and approach
- Consideration of significant accounting policies

Limitations of this report

This report refers only to matters we have identified from our audit of the financial statements of the academy for the period ended 31 August 2019 that we believe should be brought to your attention. These are not necessarily a comprehensive statement of all issues affecting the financial statements of the academy.

Any recommendations for improvements should be assessed by you for their full commercial impact before they are implemented.

The Management team remains responsible for identifying, evaluating and managing risk, including new risks and those which change.

This report has been prepared solely for the use of the Board of Governors, management and others within the academy. It must not be disclosed to a third party or quoted or referred to without our written consent. No responsibility is assumed by Clive Owen LLP to any other person.

Section 3: Summary of results for the period

Key SOFA movements year on year

Revenue bridge	£000	Cost bridge	£000
Total 2018 income	3,087	Total 2018 costs	3,403
Increase in GAG	133	McCloud pension cost	36
New pay award grant	19	Increase in Technology costs	40
Increase in UIFSM	22	No longer purchase supply insurance	(16)
Increase in Early Years Funding	23	Decrease in premises costs	(90)
Increase in Devolved Formula Capital	15	Decrease in catering costs	(57)
Decrease in non student catering	(18)	Increase in other costs	54
Increase in teaching School income	48	Decrease in Teaching School costs	(36)
Increase in Local Authority grants	14	Decrease in Governance costs	(36)
Other sundry movement less than £15k	(5)	Other sundry movement less than £10k	(73)
Total 2019 income	3,338	Total 2019 costs	3,225

Key Financial Results

	2019	2018
Total revenue income per pupil (per May census)	£4,741	£4,613
Total revenue expenditure per pupil (per May census)	£4,052	£4,467
% spend on staff costs (incl NI & pension less LGPS adjustment)	64.5%	70.8%

Statement of Financial Activities underlying surplus

	£000	Reconciliation of reserves to cash	£000
Total movement in funds per SOFA	(356)	Revenue reserves at 31 August 2019	559
LGPS movements	566	Less debtors	(315)
Capital grants / depreciation	167	Add creditors	250
Underlying surplus	377	Add unspent fixed asset grants	-
Reserves used for capital projects	(3)	Cash as at 31 August 2019	494
Movement in reserves for the year	374		
Reserves b/f (excl pension and FA)	185		
Reserves c/f (excl pension and FA)	559		

Section 4: Matters arising and control matters

Key Areas of Judgement and Audit Focus

At the planning stage of the audit we identified the following key judgement areas and areas of focus as being critical to the 2019 financial statements:

Risks and impact	Audit response and conclusion
<p>Management override</p> <ul style="list-style-type: none"> Pervasive across all areas of the accounts 	
<p>In accordance with ISA 240 there is a risk relating to the possibility of management override leading to manipulation of the financial results.</p> <p>Management is in a position to override internal controls and therefore may record entries in a way which would seek to present a different financial picture to reality. It is felt that this risk is heightened in more judgemental areas of the accounts, such as provisions and other accounting estimates.</p> <p>We will review and assess the appropriateness of any significant and key accounting judgements. We will also assess the impact of any changes in the method of calculation.</p> <p>We will consider any significant unusual or contentious transactions that come to our attention and ensure the appropriate accounting treatment appears to have been followed.</p> <p>We will review journal entries in order to identify any instances where normal procedures may have been overridden.</p>	<p>We have satisfied ourselves that there is no significant misstatement as a result of our audit procedures. Our review of both standard and non – standard journal entries posted has not highlighted any issues. We have performed test checks to ensure that expenses and payments have been made in accordance with the academy’s written procedures and that their true nature is reflected in the financial statements. In addition, we believe the judgements taken in assessing the need for provisions to be reasonable.</p>

Section 4: Matters arising and control matters

Risks and impact	Audit response and conclusion
<p style="text-align: center;">Revenue recognition</p> <ul style="list-style-type: none"> • Revenue • Accrued income • Deferred income <p>In accordance with ISA 240 this is a higher risk area in which we need to ensure all material income due to the academy is recognised in the correct period.</p> <p>The academy receives significant levels of funding from government bodies. We will review the accounting treatment for material income streams to ensure income is recognised appropriately based on the reason for receipt. In addition we will consider the potential for any claw back of any funding if terms of grant are not met.</p> <p>We will be alert for any netting off income against expenditure that may be designed to conceal irregular expenses / payments. Furthermore we will review expenditure incurred to ensure it appears in accordance with grant conditions.</p>	<p>We have satisfied ourselves that all significant sources of revenue are materially complete. We have performed completeness and existence testing to verify all material sources of income.</p> <p>We have reviewed the terms of the funding agreement and have not identified any instances where grants would be repayable.</p> <p>We have reviewed expenditure incurred to ensure that it appears in accordance with grant conditions. We have not identified any instances of misappropriation of income.</p>
<p style="text-align: center;">ESFA Regularity Review</p> <ul style="list-style-type: none"> • Pervasive across all areas of the accounts <p>We will review procedures and controls and test compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p>We will review the terms and conditions of key grants to ensure that the academy has complied with these.</p> <p>We will review academy expenditure to ensure that it is permissible within the academy's framework of authorities, appropriately authorised and in line with funding agreements.</p> <p>We will confirm that there are no unauthorised borrowings or disposals of assets.</p> <p>We will review any extra-contractual payments and confirm that appropriate departmental authority was obtained.</p>	<p>We have reviewed procedures and controls and tested compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p>We have reviewed the terms and conditions of key grants to ensure that the academy has complied with these.</p> <p>We have reviewed academy expenditure to ensure that it is permissible within the academy framework of authorities, appropriately authorised and in line with funding agreements.</p> <p>We have confirmed that there are no unauthorised borrowings or disposals of assets.</p> <p>There were no extra-contractual payments during the period.</p>

Section 4: Matters arising and control matters

Risks and impact	Audit response and conclusion
<p style="text-align: center;">LGPS Retirement Benefits Position</p> <ul style="list-style-type: none">• Pension liability• Pension costs• Disclosures	
<p>The valuation of the LGPS pension liability represents a significant judgement due to the number of assumptions made by the actuary in calculating the figure. Reliance must be placed on the expertise of the independent actuary to try to minimise the risk of material misstatement.</p> <p>As this is a specialist area, we will confirm that the firm that performs the valuation on your behalf has the necessary skills and experience to perform these tasks, so that they can be relied upon, and that the valuer is independent of the academy.</p> <p>We will compare the actuarial assumptions used for this academy with those used in other valuations to ensure consistent and reasonable given the current economic environment. We will also verify key data used in the calculation to ensure its integrity.</p>	<p>We have placed reliance upon independent actuary appointed by the academy to perform a valuation of the academy's pension liabilities for FRS 102 purposes. We have confirmed that the firm appointed has the necessary skills and experience to perform these tasks. We have assessed the actuary assigned to perform the valuation on behalf of the academy and we have no concerns.</p> <p>There are two recent court cases which could impact on the future liabilities associated with the LGPS scheme, McCloud Sargeant (McCloud) and GMP Indexation and Equalisation (GMP).</p> <p>Actuaries have estimated that the additional liabilities associated with McCloud to be around 3-4% of active liabilities. As this has been considered to be potentially material to the financial statements the year end valuation performed by the actuary has included an approximate calculation of the McCloud valuation. This has increased the LGPS liability by £36,000 as at 31 August 2019.</p> <p>Actuaries have estimated that the impact of GMP indexation to be around 0.3% of total liabilities. Based on this estimate it would increase liabilities by £7,000 which has been assessed to be immaterial to the financial statements.</p> <p>We have ensured that the academy's management have checked the data and considered the assumptions used by the actuary in preparing the LGPS valuation.</p> <p>We have reviewed a copy of the LGPS valuation to support the disclosures in the financial statements.</p> <p>We have compared the actuarial assumptions used for this academy with those used for other academy clients to ensure consistent.</p>

Section 4: Matters arising and control matters

Risks and impact	Audit response and conclusion
<p style="text-align: center;">Related Parties</p> <ul style="list-style-type: none">• At cost rules• Disclosures	
<p>Transactions may have been entered into with related parties that may run contrary to the interest of the academy.</p> <p>In addition, disclosures of related party and Governor transactions is normally highly sensitive due to public interest.</p> <p>In accordance with the Academies Financial Handbook 2013, any contracts entered into on or after 7 November 2013 with individuals or organisations connected to the academy must not include any profit element for the supplier. At 2014 the Academy Financial Handbook introduced a de-minimis limit for £2,500 per related supplier.</p> <p>In accordance with the Academies Financial Handbook 2018, and contracts entered into with a related party must be logged with the ESFA. For those exceeding £20,000 after April 2019 in one financial period, the academy must receive authorisation from the ESFA prior to making the transaction.</p> <p>Our audit work will seek to identify any potential related parties. A review will be undertaken for any related parties to ensure that where transactions have taken place they follow the ESFA rules and are appropriately disclosed in the financial statements.</p>	<p>We have performed work to identify all related parties. Where identified, dealings with such have been examined and if material have been compared to dealings with third parties to assess commerciality and to ensure that they are in accordance with ESFA regulations.</p> <p>We have reviewed the related party transactions to ensure that the academy has considered the issue of 'profit' within the contract entered into, and that the academy has copies of assurance from their supplier.</p> <p>H Bone (Governor) and J Thackstone (Governor) are senior leaders at Green Lane Primary Academy Limited.</p> <p>H Secker is the daughter of L Clarke (Governor) and is a staff member within the academy trust.</p> <p>M Suthers is the son in law of C Wain OBE (CEO and Governor) and is a staff member within the academy trust.</p> <p>We have reviewed the related party transactions to ensure that the academy has considered the issue of authorisation from the ESFA before the contract was entered into, and that the academy has copies of authorisation from the ESFA.</p>

Section 4: Matters arising and control matters

Risks and impact	Audit response and conclusion
<p data-bbox="683 398 912 436">Going Concern</p> <ul data-bbox="667 443 849 510" style="list-style-type: none">• Concept• Disclosures <p data-bbox="177 622 805 786">Going concern is a fundamental accounting concept in the preparation of the financial statements. Adopting this basis assumes the entity can continue in operation for at least 12 months from the approval of the financial statements. It is the responsibility of the Governors to assess the ability of the entity to continue as a going concern.</p> <p data-bbox="177 819 805 902">We will review management forecasts and challenge the reasonableness of assumptions made. We will ensure disclosure within the financial statements is appropriate.</p>	<p data-bbox="826 622 1449 730">We have reviewed the management forecasts, and assumptions made. The forecasts show a surplus in 2019/20. In addition the academy had revenue reserves of £559,000 as at 31 August 2019.</p> <p data-bbox="826 757 1449 813">We do not believe there to be any material uncertainties surrounding going concern.</p> <p data-bbox="826 840 1449 896">The disclosure in the financial statements is considered appropriate.</p>




During the fieldwork stage of the audit we did not identify any further key judgement areas and areas of focus as being critical to the 2019 financial statements.



Section 4: Matters arising and control matters

Accounting and internal control systems


In accordance with paragraph 9.3.17 of the Academies Accounts Direction 2018 to 2019 we are requested to report upon regularity issues within the document.

We have considered the systems and internal controls in the course of our audit and have identified the following areas we believe controls could be improved. Matters are classified in terms of importance as follows:

	High importance – risk should be addressed by the Governors as a matter of priority as insufficient internal controls are currently in place.
	Medium importance – the current internal controls could be improved upon.
	Low importance – suggestions for a change in procedure, although existing procedures are adequate.

Classification	Control weakness and implication	Recommendations	Management response (including timescale)
	<p><u>Accounting system and management accounts</u></p> <p>There have been issues for a number of years with Agresso rolling forward balances correctly.</p> <p>There are few schedules in place to support the figures included within the accounts.</p> <p>There is the risk that the monthly management accounts are not reflective of the true financial position of the academy.</p>	<p>Consideration to be given to the suitability of the finance system.</p> <p>Appropriate schedules should be prepared to confirm calculation of figures is correct and the management accounts are not misstated.</p>	<p>The academy will give suitable consideration to the alternative software providers. Attention will be given to the SWOT of changing to a new system.</p>
	<p><u>Trust Members</u></p> <p>Two out of the five Members are Governors, including the Chair. The Members should be independent from the Board of Governors.</p> <p>There is the risk that there is a lack of independence.</p>	<p>Appropriate changes should be made to the Members/Board of Governors in order to remain independent.</p>	<p>Full structure review is intended during this year to ensure “best fit” of the Governance organisations. At time of conversion it was suggested that there should be overlap of Board levels to ensure consistency in assurance. We understand that it is now viewed as risk and will evaluate the positions.</p>

Section 4: Matters arising and control matters

Classification	Control weakness and implication	Recommendations	Management response (including timescale)
 A	<p><u>VAT</u></p> <p>VAT s126 forms are not submitted in a timely manner.</p> <p>These should be submitted on a regular basis in order to improve the cash flow of the academy.</p>	<p>VAT s126 forms should be submitted regularly.</p>	<p>It is understood that VAT should be submitted more regularly. Cash flow is not a matter of concern within the academy and it is permissible to claim within a financial year window. It will now fall into a termly task.</p>

Section 4: Matters arising and control matters

Audit adjustments

Our final performance materiality for the period to 31 August 2019 was £27,000, with all adjustments above £1,500 being itemised within this document. Appendix A includes all those misstatements and reallocations that have been adjusted as agreed with management or collectively fall within this level of materiality.

We have identified unadjusted misstatements which potentially reduce deficits and increase net assets by £11,000. These are summarised at Appendix B.

Significant difficulties encountered in the course of the audit

We are pleased to report that there were no significant difficulties encountered during the course of the audit.

Fraud

We have not identified any instances of fraud during the course of the 2019 audit.

Non-compliance with laws and regulations

No matters of non-compliance with laws or regulations have been brought to our attention during our audit.

Related Parties

We have discussed the potential for related party transactions with the management team and have been advised of those included on page 15 of this report. We can confirm that we did not identify any further material related party transactions during our audit work. We have obtained statements of assurance from any related parties to ensure that there is not a profit element charged on the contract.

Independence

In our professional judgement we are independent within the meaning of APB Ethical Standards and ISA 260. The objectivity and independence of the audit engagement partner and audit staff is not impaired. We highlight the following services that may be considered to bear upon our objectivity and independence:

- Preparation of accounts from trial balance
- Preparation of Academies Accounts Return
- Teachers Pension audit
- Preparation of CT600
- Audit of NCTL grants
- Preparation of monthly management accounts

This work was undertaken by personnel not involved with the audit where there is a self-review threat. We consider that the exclusion of staff involved with the non-audit work from the 2019 audit adequately provides safeguards over any threats to our objectivity and independence.

We do not envisage any problems in complying with APB Ethical Standards and ISA 260 for the period commencing 1 September 2019. If anything were to change in this aspect we would draw the matter to your attention.

Section 5: Status of recommendations made in the previous year

The status of the issues identified in our previous report are reported below:

Control weakness identified	Action taken	Current status
<p><u>Declarations of interest</u></p> <p>Registers of interest were not reviewed fully for related parties and were not evidenced as being reviewed on a regular basis.</p>	<p>Registers of interest are now reviewed and a 'Summary of Pecuniary Interests' is signed by each governor to confirm no changes to the original registers of interest.</p>	<p>Resolved</p>
<p><u>Finance Procedures Manual</u></p> <p>In some instances the Finance Procedures Manual did not accurately reflect the procedures in the academy.</p>	<p>The Finance Procedures Manual has now been updated to reflect actual procedures.</p>	<p>Resolved</p>
<p><u>VAT</u></p> <p>VAT returns were not submitted on a timely basis during the year. VAT was also not recognised to the nominal ledger on a monthly or annual basis.</p>	<p>S126 form has now been submitted to HMRC. VAT workings are now maintained.</p>	<p>Resolved in part. More frequent s126 forms need to be filed in order to improve cash position.</p>
<p><u>Personnel Files</u></p> <p>Some personnel files were not kept up to date with current salaries.</p>	<p>Salary statements are not held on files but maintained via HCSS.</p>	<p>Resolved</p>
<p><u>Purchases – Order Requisition Forms</u></p> <p>It was noted on several purchases that order requisition forms were completed by staff after receiving the purchase invoice.</p>	<p>Standard operating practice was re-enforced to relevant ordering staff and the Finance Procedures Manual is now followed.</p>	<p>Resolved</p>

Section 5: Status of recommendations made in the previous year

Control weakness identified	Action taken	Current status
<u>Budgets</u> The academy did not budget for teaching school income and expenditure.	The teaching school has now ceased.	Resolved

Section 6: Letters of representation – financial statements

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy trust's financial statements and, as relevant, your assurance engagement on regularity for the period ended 31 August 2019. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

General

- 1 We have fulfilled our responsibilities as Governors as set out in the terms of your engagement letter dated 19 September 2019, under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the academy trust have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy trust, and with all other records and related information requested, including minutes of all management and trustee meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.
- 5 The effects of uncorrected misstatements are immaterial both individually and in total.

Internal control and fraud

- 6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 7 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 8 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

- 9 The academy trust has satisfactory title to all assets and there are no liens or encumbrances on the academy trust's assets, except for those that are disclosed in the notes to the financial statements.
- 10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 11 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Section 6: Letters of representation – financial statements

Accounting estimates

- 12 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

- 13 The academy trust has not granted any advances or credits to, or made guarantees on behalf of directors other than those disclosed in the financial statements.

Legal claims

- 14 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

Law and regulations

- 15 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

- 16 Related party relationships and transactions, comply with the academy trust's financial regulations, relevant requirements of the Academies Financial Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Academies Accounts Direction issued by the Education and Skills Funding Agency. There were no transactions with related parties during the year ended 31 August 2019.

We confirm the transactions set out below are a complete list of such relationships and transactions:

Party	Relationship	Nature of transaction
Green Lane Primary Academy Limited	H Bone and J Thackstone are senior leaders at Green Lane Primary Academy Limited	Expenditure including recharging wages and other costs. Income in respect of teaching services.
H Secker	Daughter of L Clarke, a Governor	Wages
M Suthers	Son in law of C Wain OBE, CEO and a Governor	Wages

Subsequent events

- 17 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

- 18 We believe that the academy trust's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy trust's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy trust's ability to continue as a going concern need to be made in the financial statements.

Section 6: Letters of representation – financial statements

Grants and donations

- 19 Grants made by the Department of Education and Education and Skills Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.
- 20 All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

Restricted grants and donations are as follows:

<i>General Annual Grant (GAG)</i>	<i>£2,209,000</i>
<i>Devolved Formula Capital</i>	<i>£31,000</i>
<i>Pupil Premium</i>	<i>£384,000</i>
<i>PE Teacher Grant</i>	<i>£20,000</i>
<i>Universal Infant Free School Meals</i>	<i>£72,000</i>
<i>Teachers Pay Grant</i>	<i>£19,000</i>
<i>SEN</i>	<i>£7,000</i>
<i>Early Years Funding</i>	<i>£256,000</i>
<i>Other Local Authority Grants</i>	<i>£16,000</i>
<i>Other Grants</i>	<i>£4,000</i>
<i>Teaching School</i>	<i>£272,000</i>

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

Each Governor has taken all the steps that he/she ought to have taken as a Director in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Section 6: Letters of representation - Regularity

We confirm to the best of our knowledge and belief that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

- 1) *We acknowledge as Governors our responsibility for making accurate representations to you and for the statement on regularity, propriety and compliance made by the Accounting Officer on behalf of the academy.*
- 2) *We confirm that you have been notified of any matters of which we are aware that may be of relevance to your report of regularity, propriety and compliance.*
- 3) *We confirm that all evidence used to support the Accounting Officer's sign-off of the regularity statement has been made available to you.*
- 4) *We confirm that all activities of the academy are in keeping with the academies framework and the charitable objectives of the academy.*
- 5) *We confirm that all key staff and Governors have declared their interest in related parties and where transactions have occurred they are in accordance with the guidelines set out in the Academies Financial Handbook (the Handbook) section 3.10.*
- 6) *We confirm that all related party transactions have been notified to the ESFA and authorisation was received for those cumulatively over £20,000.*
- 7) *We confirm that we have notified you of all transactions set out in section 3 of the Handbook as follows:*
 - *Write-offs of unrecoverable debts or overpayments;*
 - *Recognising losses of stocks or other assets;*
 - *Taking on liabilities by issuing specific guarantees, or providing a letter of comfort; or providing indemnities;*
 - *Special payments (transactions outside the usual planned range);*
 - *Gifts or hospitality received or given.*
- 8) *We confirm that no expenditure has been incurred by the academy that is in contravention of the funding agreement. In particular we confirm that any extra-contractual payments for staff have been made in accordance with the Handbook.*
- 9) *We confirm that all transactions involving land and buildings are in line with the funding agreement and Handbook.*
- 10) *We confirm that all write-offs over 1% of total income or £45,000 (whichever is smaller) have been approved in advance by the Secretary of State.*
- 11) *We confirm that all procurement activity has been in accordance with Annex 4.6 of Managing Public Money.*

Section 7: Future developments

Changes to the AFH 2019

Whilst the audit for the year ended 31 August 2019 has focused on compliance with the AFH 2018, the AFH 2019 which was released in June is effective from 1st September 2019 and will therefore be the focus of next year's audit.

There are a number of significant changes in the new AFH 2019 and it is important that trusts review and implement any changes they need to make as soon as possible.

The main changes are as follows:

Management accounts (2.18 – 2.23)

Last year the AFH introduced the requirement that the trust prepare management accounts on a monthly basis that **MUST** be shared with the Chair of the trust each month, and with the other trustees at least six times a year, including when it meets. Section 2.21 of the new AFH specifies that these management accounts **MUST** include:

- Income and expenditure account;
- Variance to budget report;
- Cashflow; and
- Balance sheet.

The management accounts **MUST** now also include key financial performance indicators and measure the trusts performance against them (2.22).

The AFH also states that 'managers **MUST** take appropriate action to ensure ongoing viability' (2.18) and states 'where the board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place' (2.23).

Internal Scrutiny (3.1 – 3.22)

The Internal Scrutiny rules have been significantly enhanced. What was nine bullet points has become twenty. This expanded section now sets out what the committee responsible for this function **MUST** have in place – written terms of reference, annual programme of work that provides coverage across the year, review of risk register and review the relevant reports amongst other things (3.12). It is very important that trustees review this section as it is important that the trust ensures it has the proper structure in place to ensure it minimises the risks it has. Not unsurprisingly, given some of the issues that the ESFA have found at a number of trusts, Lord Agnew is increasing the departments focus on how trusts undertake this important function.

Previously the AFH specified that a trust **SHOULD** have a risk register, it now states that they **MUST** have a risk register (2.36).

There is now more of a focus between the items on the risk register and testing to ensure that the controls in place, which supposedly minimise these risks, work as expected.

Since the AFH was released, the ESFA have issued a bulletin, which sets out that for 2018/2019 each trust must submit a copy of their latest internal audit/assurance report to the ESFA with their 31st August 2019 financial statements.

For 2019/20 the ESFA require that each trust prepare a summary of the work undertaken during the financial year which will need to be submitted to them with the 31st August 2020 financial statements.

Section 7: Future developments

Executive Pay (2.30 - 2.31)

The AFH 2018 introduced rules regarding the setting of executive pay. These have been enhanced with words like 'robust', 'decision making' and 'pay and benefits represent good value for money'. There is also a new section on commercial interest, 'ensuring the board is sighted on broader business interest held by the senior executives'. This appears to be an attempt to ensure that all earnings directly or indirectly paid by the trust to the executive team are disclosed.

Whistleblowing (2.41 - 2.46)

The rules about whistleblowing have been expanded. In particular the trust SHOULD appoint at least one trustee and one member of staff who other staff can contact to report concerns.

Gender pay gap (2.32)

A reminder that all trusts with more than 250 employees must publish information on their website and on the government reporting website about the gender pay gap in their organisation.

Notifications to the ESFA (2.51 – 2.55)

This section reminds trusts that they MUST notify the ESFA, within 14 days, via the Get Information About Schools (GIAS) platform of changes to the following:

- Members
 - Chair of trustees
 - All other trustees
 - Accounting Officer
 - Chief Financial Officer
- (including direct contact details for all)

The GIAS should also be updated for all academies within a multi-academy trust when any of the following change:

- Head Teacher (including direct contact details)
- Chair of LGB (where adopted), including direct contact details
- Members of the LGB (where adopted)

Others

A requirement for trusts with an active Financial Notice to Improve (FNtI) to publish it on their website (6.15).

Clarification regarding related party transactions (5.1 and 5.40 – 5.43) – see later section for further information on the significant changes introduced in April.

Emphasising that the audited financial statement MUST be provided to members (4.4)

Guidance about the work of a clerk to the board (1.38)

Guidance about good estates management and the ESFA tools available (2.14)

Ensuring senior employees are on the payroll (2.33)

List the authorities that are revoked when a FNtI is issued (6.15)

Section 7: Future developments

Sets out how the Secretary of State may intervene if they become concerned about an academy (6.19 – 6.23)

Risk protection arrangements (RPA) changes

From 1st September 2019 the RPA deduction from the general annual grant (GAG) reduced from £20 per pupil to £18 per pupil for the 2019/20 academic year. The cover offered will remain the same.

The ESFA have also guaranteed that the GAG deduction will not exceed £20 per pupil for the academic years 2020/21 and 2021/22.

Related parties transactions

There are new requirements in respect of related party transactions which were implemented 1 April 2019.

For all new transactions, irrespective of value, the ESFA must be advised in advance via their online portal.

Where the value of the transaction(s) exceeds the following, the ESFA must give their approval before the transaction is undertaken:

1. Contract exceeds £20,000; or
2. Contracts that take the value of contracts with the related party above £20,000 in the same financial year; or
3. Any additional contracts issued after either 1 or 2 above have occurred.

Note – Pension benefits and related employment costs are exempt from the above.

Update about ESFA approval for related party transactions at a faith based school

The guidance concerning related party transactions between a faith based trust and the diocese was updated on the 2nd of October. If you now set up a supplier on the ESFA's portal and confirm the transaction is with the diocese, the form no longer requires you to input further information about the supplier or the relationship. You will however need to confirm the transactions are:

- Solely provided as part of your voluntary contribution or levy to the diocese for the purpose of maintaining the religious ethos or character of the academy trust or character of the academy trust; and
- Do not include traded services

If you then select 'yes' the trust is confirming that the services can only be provided by the diocese and that they are essential functions that are fundamental to the religious character and ethos of the school. If the transactions exceed £20,000 evidence will need to be uploaded. The transaction are deemed to be at cost.

If 'no' is selected the form continues as before.



CLIVE OWEN ^{LLP}

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Appendix A
Our Children 1st
Summary of adjusted
items

Appendix A – Summary of adjusted items

	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
LGPS adjustment	566,000			566,000
Depreciation incorrectly expensed to prepayments	33,000			33,000
Summer extension works capitalised		54,000	54,000	
Correct accrued income		54,000	54,000	
Loan repayment taken to balance sheet		180,000	180,000	
Correct deferred income	46,000			46,000
Write off irrecoverable VAT re Teaching School	10,000			10,000
Surplus before adjustments		11,000	11,000	
Adjustments above	655,000	288,000	288,000	655,000
Adjusted deficit per accounts	356,000			356,000

We confirm the above adjustments should be made to the accounts for the year ended 31 August 2019.

Signed.....
(Signed for and on behalf of the Board)



CLIVE OWEN ^{LLP}

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Appendix B
Our Children 1st
Summary of unadjusted
items

Appendix B – Summary of unadjusted items

	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
Difference in taxation and social security to Agresso	6,000			6,000
Difference in prepayments to Agresso		17,000	17,000	
Deficit before adjustments	356,000			356,000
Total unadjusted amounts	6,000	17,000	17,000	6,000
Potential deficit	345,000			345,000

We confirm the above adjustments should not be made to the accounts for the year ended 31 August 2019.

Signed.....
 (Signed for and on behalf of the Board)