

Our Children 1st
Academy Trust
Audit Findings Report
Period ended
31 August 2020

| INDEX | |
|--|---------|
| 1. Introduction | 1 |
| 2. Communication to those charged with governance and approval | 2 |
| 3. Summary of results for the period | 3 |
| 4. Areas of audit focus | 5 - 8 |
| 5. Adjusted and unadjusted items | 9 – 10 |
| 6. Other audit matters | 11 |
| 7. Significant internal control recommendations | 12 - 13 |
| Appendix A – Draft letters of representation | |
| Appendix B – Other internal control observations | |
| Appendix C – Key financial results calculations | |
| Appendix D – Technical update | |

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Section 1: Introduction

The audit of the academy trust for the period ended 31 August 2020 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 trust.

The scope of our work has already been communicated to you via our Audit Plan, pre year end discussions and the engagement letter.

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 trust; 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 in Section 5.

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 Section 5.

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 trust for the period ended 31 August 2020 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 trust.

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 trust. 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 2019 income | 3,338 | Total 2019 costs | 3,225 |
| Decrease in capital funding | (20) | Increase in staff costs | 128 |
| Increase in GAG | 112 | Increase in LGPS | 27 |
| Teachers Pension Grant | 84 | Increase in maintenance costs | 22 |
| Decrease in teaching school income | (65) | Increase in energy costs | 44 |
| Other sundry movement less than £15k | (6) | Increase in catering costs | 60 |
| | | Decrease in technology costs | (28) |
| | | Increase in other premises costs | 27 |
| | | Decrease in teaching school expenditure | (167) |
| | | Other sundry movement less than £15k | 19 |
| Total 2020 income | 3,443 | Total 2020 costs | 3,357 |

Key Financial Results (See Appendix C)

| | 2020 | 2019 |
|---|--------|--------|
| Pupils per census (<i>January 2020</i>) | 649 | 640 |
| Total revenue income per pupil | £4,968 | £4,741 |
| Total revenue expenditure per pupil | £4,385 | £4,052 |
| % spend on staff costs vs revenue income | 64.6% | 64.5% |

Section 3: Summary of results for the period

Statement of Financial Activities underlying surplus

| | £000 | Reconciliation of reserves to cash | £000 |
|------------------------------------|-------|------------------------------------|-------|
| Total movement in funds per SOFA | (917) | Revenue reserves at 31 August 2020 | 946 |
| LGPS movements | 1,139 | Less debtors | (138) |
| Capital grants / depreciation | 196 | Add creditors | 261 |
| Underlying surplus | 418 | Add unspent fixed asset grants | - |
| Reserves used for capital projects | (31) | Cash as at 31 August 2020 | 1,069 |
| Movement in reserves for the year | 387 | | |
| Reserves b/f (excl pension and FA) | 559 | | |
| Reserves c/f (excl pension and FA) | 946 | | |

Section 4: Areas of audit focus

Key Areas of Judgement and Audit Focus

At the planning stage of the audit we identified the following key areas of audit focus based on the main estimates, judgements and accounting policies in the financial statements:

| Risks and impact | Audit response and conclusion |
|---|--|
| <p style="text-align: center;">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 trust’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: Areas of audit focus

| Risks and impact | Audit response and conclusion |
|--|---|
| <h3 data-bbox="485 389 1142 427">Revenue recognition and restricted income</h3> <ul data-bbox="711 439 954 573" style="list-style-type: none">• Revenue• Accrued income• Deferred income• Fund allocation | |
| <p data-bbox="178 622 804 703">In accordance with ISA 240 this is a higher risk area in which we need to ensure all material income due to the academy trust is recognised in the correct period.</p> <p data-bbox="178 730 804 896">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 data-bbox="178 922 804 1061">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 data-bbox="831 622 1445 730">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 data-bbox="831 757 1445 837">We have reviewed the terms of the funding agreement and have not identified any instances where grants would be repayable.</p> <p data-bbox="831 864 1445 945">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> |
| <h3 data-bbox="624 1144 978 1182">ESFA Regularity Review</h3> <ul data-bbox="671 1193 962 1261" style="list-style-type: none">• Pervasive across all areas of the accounts | |
| <p data-bbox="178 1323 804 1404">We will review procedures and controls and test compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p data-bbox="178 1431 804 1512">The Academies Accounts Direction gives detailed guidance on the work expected of auditors to cover areas such as:</p> <ul data-bbox="268 1518 703 1682" style="list-style-type: none">- delegated authorities;- transactions with connected parties;- governance;- internal controls;- procurement; and- income. <p data-bbox="178 1709 804 1928">We will review the terms and conditions of key grants to ensure that the academy has complied with these. We will review academy trust expenditure to ensure that it is permissible within the academy trusts framework of authorities, appropriately authorised and in line with funding agreements. Alcohol and excessive gifts continue to be banned transactions regardless of the source of funds used.</p> | <p data-bbox="831 1339 1445 1420">We have reviewed procedures and controls and tested compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p data-bbox="831 1447 1445 1505">We have reviewed the terms and conditions of key grants to ensure that the academy trust has complied with these.</p> <p data-bbox="831 1532 1445 1639">We have reviewed academy expenditure to ensure that it is permissible within the academy trust's framework of authorities, appropriately authorised and in line with funding agreements.</p> <p data-bbox="831 1666 1445 1724">We have confirmed that there are no unauthorised borrowings or disposals of assets.</p> <p data-bbox="831 1751 1445 1809">There were no extra-contractual payments during the period.</p> |

Section 4: Areas of audit focus

| 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 trust.</p> <p>We will compare the actuarial assumptions used for this academy trust 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 the independent actuary appointed by the academy to perform a valuation of the academy trust'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 trust and we have no concerns.</p> <p>There were two recent court cases which could impact on the future liabilities associated with the LGPS scheme, McCloud Sargent (McCloud) and GMP Indexation and Equalisation (GMP). On review of the assumptions made by the actuary, both McCloud and GMP have been included within the valuation as at 31 August 2020.</p> <p>We have ensured that the academy trust'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 trust with those used for other academy clients to ensure consistent.</p> |

Section 4: Areas of audit focus

| Risks and impact | Audit response and conclusion |
|--|---|
| <p data-bbox="699 387 930 421">Related Parties</p> <ul data-bbox="710 432 903 495" style="list-style-type: none"> • At cost rules • Disclosures <p data-bbox="178 562 804 645">Transactions may have been entered into with related parties that may run contrary to the interest of the academy trust.</p> <p data-bbox="178 674 804 730">In addition, disclosure of related party transactions is normally highly sensitive due to public interest.</p> <p data-bbox="178 757 804 1003">In accordance with the Academies Financial Handbook any contracts entered into on or after 7 November 2013 with individuals or organisations connected to the academy trust must not include any profit element for the supplier, subject to a de-minimus limit of £2,500 turnover per supplier. The Academies Financial Handbook requires notification to the ESFA of all contracts entered into, with any contracts that exceed £20,000 in any one financial year requiring ESFA prior approval.</p> <p data-bbox="178 1032 804 1167">Our audit work will seek to identify any potential related parties. A review will then 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 data-bbox="831 562 1445 701">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 data-bbox="831 730 1445 837">We have reviewed the related party transactions to ensure that the academy trust has considered the issue of 'profit' within the contract entered into, and that the academy has copies of assurance from their supplier.</p> <p data-bbox="831 866 1445 974">J Thackstone (Governor) is a senior leader at Green Lane Primary Academy Limited. H Bone (Governor) was also a senior leader at Green Lane Primary Academy Limited up to April 2020.</p> <p data-bbox="831 1003 1445 1059">M Suthers is the son in law of C Wain OBE (Governor) and is a staff member within the academy trust.</p> <p data-bbox="831 1088 1445 1171">H Adams' husband is a director of Itchyrobot. The academy used the company for website support during the year.</p> <p data-bbox="831 1200 1445 1335">We have reviewed the related party transactions to ensure that the academy trust has considered the issue of authorisation from the ESFA before the contract was entered into, and that the academy trust has copies of authorisation from the ESFA.</p> |
| <p data-bbox="687 1391 912 1424">Going Concern</p> <ul data-bbox="667 1435 847 1498" style="list-style-type: none"> • Concept • Disclosures <p data-bbox="178 1585 804 1776">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 Trust Board to assess the ability of the entity to continue as a going concern.</p> <p data-bbox="178 1805 804 1888">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="831 1585 1445 1693">We have reviewed the management forecasts, and assumptions made. The forecasts show a deficit in 20/21. The academy trust has sufficient reserves to cover this position.</p> <p data-bbox="831 1722 1445 1778">We do not believe there to be any material uncertainties surrounding going concern.</p> <p data-bbox="831 1807 1445 1863">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 2020 financial statements.

Section 5: Adjusted and unadjusted items

| Adjusted items | SOFA | | Balance Sheet | |
|--------------------------------------|-----------|---------|---------------|-----------|
| | Dr | Cr | Dr | Cr |
| | £ | £ | £ | £ |
| LGPS Adjustment | 1,139,000 | | | 1,139,000 |
| Depreciation adjustment | | 85,000 | 85,000 | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Surplus before adjustments | | 137,000 | 137,000 | |
| Adjustments above | 1,054,000 | | | 1,054,000 |
| Adjusted deficit per accounts | 917,000 | | | 917,000 |

We confirm the above adjustments should be made to the accounts for the period ended 31 August 2020.

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

Section 5: Adjusted and unadjusted items

| | SOFA | | Balance Sheet | |
|-----------------------------------|----------------|----|---------------|----------------|
| | Dr | Cr | Dr | Cr |
| | £ | £ | £ | £ |
| None | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Deficit before adjustments | 917,000 | | | 917,000 |
| Total unadjusted amounts | | | | |
| Potential deficit | 917,000 | | | 917,000 |

We confirm the above adjustments should not be made to the accounts for the period ended 31 August 2020.

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

Section 6: Other audit matters

Audit adjustments

Our final performance materiality for the period to 31 August 2020 was £24,750, with all adjustments above £1,650 being itemised within this document.

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 2020 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 in Appendix A 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 FRC Ethical Standards and ISA 260. The objectivity and independence of the audit engagement partner and audit staff is not impaired. We highlight the following matters that may be considered to bear upon our objectivity and independence:

- Non audit services – statutory account preparation, Academies Accounts Return preparation
- Teachers Pension audit
- Preparation of CT600
- Preparation of monthly management accounts

The non audit services were undertaken by personnel not involved with the audit where there was a self-review threat. We consider that these safeguards adequately address any threats to our objectivity and independence.

We do not envisage any problems in complying with FRC Ethical Standards and ISA 260 for the period commencing 1 September 2020. If anything were to change in this aspect we would draw the matter to your attention.

Section 7: Significant internal control recommendations

In accordance with paragraph 9.3.17 of the Academies Accounts Direction 2019 to 2020 we are requested to report upon regularity issues within the document.

We have considered the systems and internal controls and are pleased to report that no areas of concern have arisen in the course of our audit.



High importance – risk should be addressed by the Directors 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. These are not deemed to be of such significance that they should be highlighted to those charged with governance and therefore are recorded in Appendix B.

| Classification | Control weakness and implication | Recommendations | Carried forward from prior year | Management response (including timescale) |
|---|--|--|---------------------------------|---|
|  | <p><u>Declarations of interest</u></p> <p>The annual declaration of interest has not been recompleted by all the Governors for this financial year.</p> <p>The academy trust may unknowingly enter into transactions with related parties.</p> | Declarations of interest to be completed on an annual basis to ensure all potential related parties are disclosed. | N | All returns will be reported at the of the Autumn term to allow time for any reminders in the spring. |

Section 7: Significant internal control recommendations

Recommendation raised in the prior year that are now fully resolved are set out below:

| Classification | Prior year recommendation | Action taken |
|----------------|--|--|
| A | <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> | Finance system now used correctly and efficiently and supporting schedules held to confirm balances in the accounts. |
| A | VAT S126 forms should be submitted regularly. | VAT forms now filed on a regular basis. |



CLIVE OWEN ^{LLP}

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Appendices

Appendix A - 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 2020. 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.

Appendix A - 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 2020.

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

| <u>Party</u> | <u>Relationship</u> | <u>Nature of transaction</u> |
|------------------------------------|---|--|
| Green Lane Primary Academy Limited | J Thackstone is a senior leader at Green Lane. | Expenditure including recharging wages and other costs, income in respect of teaching. |
| M Suthers Itchyrobot | Son in Law of C Wain, a Governor H Adams husband is a director | Wages Website support |

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.

Appendix A - 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>£2,321,000</i> |
| <i>Devolved Formula Capital</i> | <i>£11,000</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>£70,000</i> |
| <i>Teachers Pay Grant</i> | <i>£30,000</i> |
| <i>Teachers Pension Grant</i> | <i>£84,000</i> |
| <i>SEN</i> | <i>£3,000</i> |
| <i>Early Years Funding</i> | <i>£262,000</i> |
| <i>Other Local Authority Grants</i> | <i>£21,000</i> |
| <i>Other Grants</i> | <i>£6,000</i> |
| <i>Teaching Schools</i> | <i>£208,000</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.

Appendix A - 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.*

Appendix B – Other internal control observations

Whilst not deemed significant to highlight to those charged with governance, we would recommend that management give consideration to the following internal control observations:

| Control weakness and implication | Recommendations |
|---|--|
| <p>Two of the members are also Governors, including the chair. The members should be independent from the Board of Governors.</p> <p>There is a risk there is a lack of independence.</p> | <p>Consideration should be given to further changes to the members / Board of Governors to ensure they remain independent.</p> |

Appendix C – Key financial results calculations

| |
|--|
| Pupil numbers |
| January 2020 / May 2019 |
| Total revenue income per pupil |
| Total income per accounts |
| Less: Capital income |
| Less: Net transfer on conversion/acquisition |
| Less: Actual income from joining academies |
| Add: Annualised income from joining academies |
| Revenue income |
| Revenue income per pupil [Revenue income / pupils] |
| Total expenditure per pupil |
| Total expenditure per accounts |
| Less: Depreciation |
| Less: LGPS adjustment |
| Less: LGPS net interest cost |
| Less: Actual expenditure from joining academies |
| Add: Annualised expenditure from joining academies |
| Revenue expenditure |
| Revenue expenditure per pupil [Revenue expenditure / pupils] |
| % spend on staff costs (incl NI & pension) vs revenue income |
| Staff costs per accounts |
| Less: LGPS adjustment |
| Adjusted staff costs |
| % spend on staff costs (incl NI & pension) vs revenue income [Adjusted staff costs / Revenue income from above] |

Appendix D – Technical Update

Changes to the AFH 2020

Whilst the audit for the year ended 31 August 2020 has focused on compliance with the AFH 2019, the AFH 2020 which was released in June is effective from 1st September 2020 and will therefore be the focus of next year's audit.

There are a number of significant changes in the new AFH 2020 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:

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].

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].

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].

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 nonfinancial knowledge is required [3.18 and 3.23].

Appendix D – Technical Update

Related parties transactions

There were new requirements in respect of related party transactions which were implemented 1 April 2019. A reminder is given below:

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 2019. 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.