



**CLIVE OWEN** <sup>LLP</sup>  
CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Strictly Private and Confidential

Inspire Partnership  
Multi Academy Trust  
Audit Findings Report  
Period ended  
31 August 2021

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## Section 1: Introduction

The audit of the academy trust for the period ended 31 August 2021 is substantially complete, subject to the clearance of final matters with the Trustees 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 Trustees 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 Trustees 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 Trustees and staff, and in particular Tracy Jackson 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 Trustees 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;
- Trustees 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 2021 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 Trustees, 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 2020 income	12,422	Total 2020 costs	11,434
Decrease in GAG	(1,359)	Increase in staff costs	45
Decrease in capital funding	(811)	Increase in depreciation	87
Revenue from new schools joining the trust	1,975	Decrease in educational supplies	(30)
Increase in assets transferred on conversion	1,043	Decrease in catering costs	(57)
Increase in donations	58	Decrease in staff development	(52)
Increase in SEN	64	Increase in technology costs	124
Covid Grants	(106)	Increase in supply insurance	16
Supply teacher insurance reclaimed	76	Increase in maintenance costs	16
Decrease in PE sports grant	(17)	Increase in rent and rates	13
Decrease in Pupil Premium	(76)	Increase in governance costs	33
Decrease in teachers pay/pension grant	(153)	Decrease in teaching school expenditure	(40)
Increase in Early Years funding	144	LGPS movements	309
Increase in other government grants	130	Expenditure from new schools joining the trust	576
Decrease in UIFSM	(65)	Other expenditure movements less than £10,000	(167)
Decrease in teaching school income	(13)		
Increase in other income	94		
Other income movements less than £10,000	20		
Total 2021 income	13,426	Total 2021 costs	12,307

### Key Financial Results (See Appendix C)

	2021	2020
Pupils per census ( <i>January 2021</i> )	2,339	1,831
Total revenue income per pupil	£5,768	£5,881
Total revenue expenditure per pupil	£4,850	£6,245
% spend on staff costs vs revenue income	69%	79%

## 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	<b>1,369</b>	Revenue reserves at 31 August 2021	<b>2,103</b>
LGPS movements	1,610	Less debtors	(1,446)
Capital grants / depreciation	(2,203)	Add creditors	1,339
Underlying surplus	776	Add unspent fixed asset grants	420
Reserves used for capital projects	(81)	Cash as at 31 August 2021	2,416
Movement in reserves for the year	695		
Reserves b/f (excl pension and FA)	1,408		
Reserves c/f (excl pension and FA)	2,103		

## 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
<b>Going Concern</b> <ul style="list-style-type: none"><li>• Concept</li><li>• Disclosures</li></ul>	
<p>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>We will review management forecasts and challenge the reasonableness of assumptions made. We will ensure disclosure within the financial statements is appropriate.</p>	<p>We have reviewed the management forecasts, and assumptions made. The forecasts show a deficit in 21/22. The deficit is the result of a combination of spending grants received in the previous year and a contribution towards capital projects. The academy trust has sufficient reserves to cover this position.</p> <p>We do not believe there to be any material uncertainties surrounding going concern.</p> <p>The disclosure in the financial statements is considered appropriate.</p>
<b>Management override</b> <ul style="list-style-type: none"><li>• Pervasive across all areas of the accounts</li></ul>	
<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
<div>Revenue recognition and restricted income</div> <ul style="list-style-type: none"><li>• Revenue</li><li>• Accrued income</li><li>• Deferred income</li><li>• Fund allocation</li></ul>	
<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 trust is recognised in the correct period.</p> <p>The academy trust 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. There are some minor cut off errors which are highlighted in the section 5.</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>
<div>Accounting Estimates</div> <ul style="list-style-type: none"><li>• LGPS</li><li>• Prepayments/Accruals</li></ul>	
<p>A revised ISA 540 is effective for the current year audit and it enhances the work required of auditors in respect of accounting estimates.</p> <p>Accounting estimates are considered to be a higher risk area of the audit as it is through estimation and judgement that management could attempt to manipulate the financial picture. The nominal ledgers listed are where there may be an element of estimation.</p> <p>We will seek to obtain evidence post year end that supports the position taken by management at the year end. However, where this is not possible, we will interrogate and seek evidence to support the assumptions used in arriving at the figure included within the financial statements to ensure it is reasonable. Where contradictory evidence is obtained, we will challenge management as to whether this evidence would arrive at a more accurate figure.</p>	<p>We have reviewed the above accounting estimates where they impact on the current year financial statements. The LGPS valuation is considered separately in this report.</p> <p>Whilst there is an element of judgement in the other areas highlighted, we do not believe them to be at significant risk of material misstatement. We have reviewed the positions taken by management and have not identified any issues as a result of our audit work.</p>



## Section 4: Areas of audit focus

Risks and impact	Audit response and conclusion
<div><b>ESFA Regularity Review</b><ul style="list-style-type: none"><li>Pervasive across all areas of the accounts</li></ul></div>	
<p>We will review procedures and controls and test compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p>The Academies Accounts Direction gives detailed guidance on the work expected of auditors to cover areas such as:-</p> <ul style="list-style-type: none"><li>delegated authorities;</li><li>transactions with connected parties;</li><li>governance;</li><li>internal controls;</li><li>procurement; and</li><li>income.</li></ul> <p>We will review the terms and conditions of key grants to ensure that the academy trust 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>Our review of regularity will include the use of data analytics to assist in identifying any transactions that run contrary to the requirements of the Academy Financial Handbook.</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 trust has complied with these.</p> <p>We have reviewed academy trust 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>We have confirmed that there are no unauthorised borrowings or disposals of assets.</p> <p>We have reviewed extra-contractual payments and confirmed that there were no extra-contractual payments during the period.</p> <p>It was found on review that there was a related party transactions which had not been declared to the ESFA. This has now been declared. A control point has been raised on page 14.</p>

## Section 4: Areas of audit focus

Risks and impact	Audit response and conclusion
<div><b>LGPS Retirement Benefits Position</b><ul style="list-style-type: none"><li>• Pension liability</li><li>• Pension costs</li><li>• Disclosures</li></ul></div>	
<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 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>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
<div>Inherited assets and liabilities<ul style="list-style-type: none"><li>Fixed assets</li><li>Disclosures</li></ul></div>	
<p>Upon conversion of a school various assets and liabilities are inherited by the trust at £nil cost. Under the accounting guidelines within the SORP these assets and liabilities should be brought in at their fair value onto the balance sheet.</p> <p>The main area of judgements in respect of this process relate to fixed assets and the LGPS valuation (as covered above).</p> <p>The ESFA valuations of land and buildings are no longer likely to be received prior to the deadline for submission of the accounts and therefore the responsibility rests with the trustees to determine an appropriate valuation. There are a variety of options to do this such as:</p> <ul style="list-style-type: none"><li>· Use the local authority valuation;</li><li>· Use valuations publicly available for similar schools in the area;</li><li>· Insurance valuations; and</li><li>· Pay for an external valuation.</li></ul> <p>Whichever method of valuation is taken we will review the key assumptions used to ensure they appear reasonable and that the value held on the balance sheet does not appear materially misstated.</p> <p>For any further assets introduced by management we will review the valuations used and ensure the assets brought onto the balance sheet do not appear materially misstated.</p>	<p>Land &amp; buildings have been reviewed for reasonableness. Given the individuality and specialist nature of the site(s) land and buildings valuations are inherently difficult to undertake. We have therefore reviewed the basis on which the original valuation was undertaken to ascertain if it is reasonable.</p> <p>On conversion the trust obtained a valuation from a regulated valuer – Sanderson Weatherall.</p> <p>We have reviewed the academy trust's policy as disclosed in the notes to the Financial Statements and consider that the reader of the Financial Statements has sufficient information to understand how the academy trust has treated the Land &amp; Building transaction.</p>

## Section 4: Areas of audit focus


During the fieldwork 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
Conditional Improvement Fund (CIF) and Devolved Formula Capital (DFC) funding as at 31 August 2020 had been deferred. The Charity SORP and the Academies Accounts Direction (AAD) require that funding is recognised in full when it is receivable, rather than deferred and matched against expenditure.	<p>With the agreement of management, we have amended the prior year accounts, via a prior year adjustment, to recognise the income in the 2020 accounts. The amounts included in deferred income in error are:</p> <p>DFC - £32,007</p> <p>CIF - £161,410</p> <p>Instead, there should have been amount included for accrued income of:</p> <p>CIF - £1,265,750</p>

## Section 5: Adjusted and unadjusted items

Adjusted items	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
Late client adjustments (net)		1,000	1,000	
Finance system prepayment - Central		17,000	17,000	
Pupil premium – Half Acres		8,000	8,000	
Reduce depreciation		93,000	93,000	
Audit accrual at year end - Central	16,000			16,000
Pay award accrual	30,000			30,000
LGPS adjustment	1,610,000			1,610,000
Deferred income - UIFSM	13,000			13,000
NBV of donated laptops		53,000	53,000	
Amend capital funding	696,000			696,000
<b>Surplus before adjustments</b>		3,562,000	3,562,000	
<b>Adjustments above</b>	2,193,000			2,193,000
<b>Adjusted surplus per accounts</b>		1,369,000	1,369,000	


We confirm the above adjustments should be made to the accounts for the period ended 31 August 2021.

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

## Section 5: Adjusted and unadjusted items

	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
Inherited land – Grove Lea		25,000	25,000	
<b>Surplus before adjustments</b>		1,369,000	1,369,000	
<b>Total unadjusted amounts</b>		25,000	25,000	
<b>Potential surplus</b>		1,394,000	1,394,000	

We confirm the above adjustments should not be made to the accounts for the period ended 31 August 2021.

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 2021 was £110,000, with all adjustments above £5,500 being itemised within this document.

### **Opening balances**

As this is our first period as auditors we have reviewed the accuracy of the opening balances. There is an error in how the capital grants were recognised. There is more information about this on page 9.

### **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 2021 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
- Audit of NCTL grants

The non audit services were undertaken by personnel not involved with the audit where there was a self-review threat. The long association threat is safeguarded by our audit file being reviewed by an independent audit partner within the firm. 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 2021. 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 4.25, 4.26 and 4.27 of the ESFA's Auditor Framework and Guide 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 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)
	<u>Consolidated trust schedules</u> It was identified that consolidated schedules were not prepared across the trust for areas such as accruals, prepayments and fixed assets which caused additional time from an audit perspective.	Monthly schedules should be prepared which consolidates the schedules across the trust.	N	This will be actioned for the 2022 year end
	<u>Related party transactions</u> During the year the academy trust have agreed a contract with WNTAI Services Limited for their clerking services of Trust, Sub Committee and LGB meetings. The total spend was over £16k in the 2020-21 academic year. The director of WNTAI services is also a local governor of Girnhill Primary school.	A regular review of related party transactions should be performed with any transactions being declared to the ESFA.	N	The individual has now resigned from the LGB



## Section 7: Significant internal control recommendations

Classification	Control weakness and implication	Recommendations	Carried forward from prior year	Management response (including timescale)
<b>A</b>	<p><u>Purchasing</u></p> <p>A sample of invoice payments were reviewed across the Trust. Several of the schools are not generating official purchase orders prior to ordering goods or services.</p>	<p>The Trust schools should issue official purchase orders generated by the finance system before they purchase the majority of goods and services. This will ensure the expenditure is appropriately entered on the finance system for budgeting purposes and that the supplier accepts the procurement terms and conditions of the Trust</p>	N	<p>The schools involved will be reminded of the need to raise purchase orders to be raised at the appropriate time.</p>
<b>A</b>	<p><u>Payroll deductions testing</u></p> <p>The Trust do not issue salary letters to teaching members of staff that are on the top of the scale.</p> <p>In two instances salary letters were issued following a salary scale increase but they did not include any additional allowances the staff member also receives such as TLR payments</p>	<p>The Trust should issue salary letters / statements annually following the pay review and incremental pay increases in line with inflation to all teaching staff regardless of whether they move scales</p> <p>When salary letter information is issued, for completeness it should also include any additional allowances.</p>	N	<p>Now doing.</p> <p>Additional checks are being put in place to avoid a re-occurrence.</p>

## 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
LOW	Purchase invoice Authorisation re quotes over £25,000 and other invoices	New control system in place to ensure authorisation is done correctly
LOW	Financial procedures manual to be updated	Manual updated during the year
MEDIUM	VAT adjustments made on a timely basis	Adjustments are now included in the period they relate to.



**CLIVE OWEN**<sup>LLP</sup>

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 2021. 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 Trustees as set out in the terms of your engagement letter dated 23 February 2021, 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 The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

### 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.

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

WNTAI Services Ltd

Local governor is director

Clerking services

### 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 also confirm our plans for futures action(s) required to enable the academy trust to continue as a going concern are feasible. 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>£8,172,000</i>
<i>Start Up Grants</i>	<i>£25,000</i>
<i>Income on conversion</i>	<i>£952,000</i>
<i>Devolved Formula Capital</i>	<i>£93,000</i>
<i>CIF capital funding</i>	<i>£765,000</i>
<i>Pupil Premium</i>	<i>£665,000</i>
<i>PE Teacher Grant</i>	<i>£152,000</i>
<i>Universal Infant Free School Meals</i>	<i>£259,000</i>
<i>Rates Relief</i>	<i>£40,000</i>
<i>Teachers Pay Grant</i>	<i>£106,000</i>
<i>Teachers Pension Grant</i>	<i>£296,000</i>
<i>Covid-19 funding</i>	<i>£176,000</i>
<i>SEN</i>	<i>£246,000</i>
<i>Early Years Funding</i>	<i>£869,000</i>
<i>Other Local Authority Grants</i>	<i>£53,000</i>
<i>Other Grants</i>	<i>£134,000</i>
<i>Local Authority capital grants</i>	<i>£10,000</i>
<i>Capital donations</i>	<i>£63,000</i>
<i>Donations</i>	<i>£10,000</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 Trustee 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 Trustees 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 Trustees 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) sections 5.34 to 5.58.*
- 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 5.2 of the Handbook as follows:*
  - a. Special payments - compensation;*
  - b. Special payments - ex gratia;*
  - c. Write-offs of debts and losses;*
  - d. Taking on liabilities by issuing specific guarantees, or providing a letter of comfort; or providing indemnities;*
  - e. Acquisition or disposal of freehold land and buildings;*
  - f. Disposal of heritage assets;*
  - g. Taking up or granting a leasehold on land and buildings;*
  - h. Gifts by the academy.*
- 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><u>Title Deed Testing</u></p> <p>On review of title deed testing it was identified that Gawthorpe School was not held in the Trust's name.</p>	<p>Ensure all title deeds are updated to the Trust's name.</p>
<p><u>VAT</u></p> <p>Monthly submissions of VAT returns are done by the Trust, however submissions should be done in a timely manner.</p>	<p>Regular VAT returns should be submitted by the Trust.</p>
<p><u>Management accounts</u></p> <p>Although monthly management accounts are prepared by the Trust and presented to the board, these are not prepared in a timely manner. This could lead to the trustees not receiving the most up to date financial information about the Trust.</p>	<p>Monthly management accounts should be prepared and presented to the board in a timely manner.</p>
<p><u>Fixed asset register</u></p> <p>Asset registers held by the individual schools are not in the same form and give limited information.</p>	<p>A Trust template should be provided to all schools which follows the same format to make it easier when consolidating at trust level.</p>
<p><u>Allocation of expenditure to different income streams</u></p> <p>Expenditure is not easily allocated between some of different income streams such as breakfast club income or music service income.</p>	<p>Separate nominal codes which split this expenditure should be included on the accounting system.</p>



## Appendix C – Key financial results definitions

Definitions of how the information in Section 3 has been calculated from the financial statements are set out below:

Pupil numbers
January 2021 / May 2020

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]

### **Academy Trust Handbook (ATH) 2021**

Historically called the Academies Financial Handbook (AFH). The change in name reflects the way the AFH has developed over the last few years from a document that focused just on financial matters to one that now encompasses a significantly wider range of responsibilities.

Whilst the audit for the year ended 31 August 2021 has focused on compliance with the AFH 2020, the ATH 2021 which was released in June is effective from 1 September 2021 and will therefore be the focus of next year's audit.

There are a number of significant changes in the new AFT 2021 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:**

#### **Roles and responsibilities**

- Information on suitability checks for existing and future members;
- Confirming that trusts should have reserved places for parents in their governance structure:
  - SAT – At least 2 places on the board
  - MAT – At least 2 places on the board or at least 2 places on the LGB's where they exist
- Highlighting trusts' obligations in relation to:
  - Safeguarding;
  - Health and safety; and
  - Estates management.
- Emphasising the process of appointing a senior executive leader as a trustee;
- Emphasising the value of external reviews of governance for trusts;
- Advising trusts to liaise with their RSC when they know their senior executive leader is planning to leave eg retirement or resignation, to discuss their structure and options including plans for recruitment;
- Replacing the term clerk with governance professional; and
- Reminding trusts that they must obtain Disclosure and Barring Service checks for staff and supply staff, and that Members, trustees and LGB members must have enhanced DBS certificates.

#### **Main financial requirements**

- Explaining when trusts should review their scheme of delegation;
- Updating information on what trusts need to publish on their website in relation to employees whose benefits (including employers pension contribution) exceed £100k; and
- Reminding trusts of governance documents which need to be available for public inspection:
  - Agendas for all trustee and LGB committee meetings
  - Approved minutes of those meetings
  - Any reports etc considered at those meetings (there are exclusions eg employee/proposed employee names, pupil names and any matter trustees are satisfied should remain confidential)

#### **Internal scrutiny**

- Explaining that the chair of the audit and risk committee should not be the same person as the chair of the finance committee; and
- Explaining that internal scrutiny must not be carried out by a member of the senior leadership team.

## Appendix D – Technical Update

### **Annual accounts and external audit**

- Setting out when trusts should re-tender for their external audit service.

### **Delegated authorities**

- Explaining that trusts must obtain prior approval for staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k.

### **The regulator and intervention**

- Introducing a requirement for trusts to provide ESFA with authority to obtain third party information;
- Providing trusts with advice and guidance on cybercrime:
  - Awareness of and have appropriate controls
  - Obtain ESFA approval to pay ransom demandsand
- Renaming the Financial Notice to Improve (FNtI) to Notice to Improve (NtI) reflecting how ESFA intervenes in broader governance issues.

## **Historical Rates claims**

From 1 April 2022 academies will not be able to submit historic claims for previously unclaimed years. Academies have until the 31 March 2022 to submit any outstanding claims relating to the years 2015/16 to 2021/22 via the [NNDR portal](#).