

Inspire Partnership Multi
Academy Trust
Audit Findings Report
Period ended
31 August 2022

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Your contacts in relation to this report are:

Chris Beaumont
 Partner
Chris.beaumont@cliveowen.com

James Davies
 Senior Manager
James.davies@cliveowen.com

Tamara Frankland
 Senior
Tamara.frankland@cliveowen.com

Section 1: Introduction

The audit of the academy trust for the period ended 31 August 2022 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 2022 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 2021 income	13,426	Total 2021 costs	12,307
Decrease in GAG	(295)	Decrease in staff costs	(428)
Increase in capital grants	691	Increase in educational supplies	234
Reduction in teachers pension grant	(306)	Increase in interest on pension	20
Revenue from new schools joining the trust	(1,043)	Increase in educational consultancy costs	80
Increase in other DFE/ESFA grants	284	Increase in energy costs	103
Reduction in catch up premium	(153)	Increase in catering costs	90
Decrease in teachers pay grant	(115)	Increase in staff development	46
Decrease in other income	(175)	LGPS movement	276
Decrease in early years funding	(58)	Increase in other costs	32
Annualised adjustment re Grove Lea	2,079	Decrease in technology costs	(113)
Other sundry movements less than £100k	(178)	Increase in depreciation	76
		Decrease in teaching school	(49)
		Decrease in cleaning costs	(82)
		Annualised adjustment re Grove Lea	1,728
		Other sundry movement less than £10k	(9)
Total 2022 income	14,157	Total 2022 costs	14,311

Section 3: Summary of results for the period

Key Financial Results (See Appendix C)

	2022	2021
Pupils per census	2,370	2,339
Total revenue income per pupil	£5,320	£5,812
Total revenue expenditure per pupil	£5,232	£5,020
% spend on staff costs vs revenue income	79.2%	78.2%

Statement of Financial Activities underlying surplus

	£000	Reconciliation of reserves to cash	£000
Total movement in funds per SOFA	10,245	Revenue reserves at 31 August 2022	1,939
LGPS movements	(8,981)	Less debtors	(1,107)
Capital grants / depreciation	(1,145)	Add creditors	1,856
Underlying Deficit	119	Add unspent fixed asset grants	311
Reserves used for capital projects	(283)	Cash as at 31 August 2022	2,999
Movement in reserves for the year	(164)		
Reserves b/f (excl pension and FA)	2,103		
Reserves c/f (excl pension and FA)	1,939		

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
Going Concern <ul style="list-style-type: none">• Concept• Disclosures	
<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 Board of Trustees 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 22/23. The deficit is as a result of spending grants received in previous periods and a contribution towards capital projects. The academy trust has sufficient reserves to cover this position. The cash position of the trust is healthy at £2,999k and the forecasts show this position is expected to be maintained.</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>
Management override <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. 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. 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
Revenue recognition and restricted income <ul style="list-style-type: none">• Revenue• Accrued income• Deferred income• Fund allocation	
<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. Our work has identified an adjustment to accrued of £9k in relation to Pupil Premium. This has been included as an adjusted item in 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>
Accounting Estimates <ul style="list-style-type: none">• LGPS• Land & Buildings/Depreciation• Prepayments/Accruals	
<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>The land and buildings valuation has remained unchanged in the year and we see no reason to change this valuation given the trust policy is to hold the asset at initial value less impairment rather than adopting a policy of revaluation.</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 data-bbox="240 317 1411 495"> <h3>ESFA Regularity Review</h3> <ul style="list-style-type: none"> Pervasive across all areas of the accounts </div> <p data-bbox="233 531 820 606">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="233 634 820 709">The Academies Accounts Direction gives detailed guidance on the work expected of auditors to cover areas such as:-</p> <ul data-bbox="318 684 724 837" style="list-style-type: none"> - delegated authorities; - transactions with connected parties; - governance; - internal controls; - procurement; and - income. <p data-bbox="233 865 820 1071">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 trust's 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="233 1108 799 1209">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 Trust Handbook.</p>	
	<p data-bbox="839 531 1417 606">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="839 634 1417 684">We have reviewed the terms and conditions of key grants to ensure that the academy trust has complied with these.</p> <p data-bbox="839 711 1417 812">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 data-bbox="839 840 1417 890">We have confirmed that there are no unauthorised borrowings or disposals of assets.</p> <p data-bbox="839 917 1417 968">There were no extra-contractual payments during the period.</p> <p data-bbox="839 995 1417 1096">The related party transactions were notified to the ESFA and are correctly disclosed in the financial statements. Further details can be found in the draft letter of representation in Appendix A.</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 trust 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>A legal case (Goodwin) which considered who was eligible for the payments benefits from both the TPS and LGPS pension scheme has been decided during the year. The governments spring statement states that this will increase the liabilities of the TPS by £425m by 2026/27 . Given the estimated liability of the TPS is £218,100m this equates to a 0.2% impact. The LGPS actuaries have estimated that the impact of Goodwin indexation to be less than 0.1% of total liabilities. Both the actuaries and ourselves have assessed this to be immaterial to 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>

During the fieldwork stage of the audit, we did not identify any further key areas of audit focus based on the main estimates, judgements, and accounting policies in the financial statements.

Section 5: Adjusted and unadjusted items

Adjusted items	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
Adjusted to Pupil Premium income		9,000	9,000	
LGPS adjustment		8,981,000	8,981,000	
Late client adjustments		41,000	41,000	
Surplus before adjustments		1,214,000		
Adjustments above		9,031,000		
Adjusted surplus per accounts		10,245,000		

We confirm the above adjustments should be made to the accounts for the period ended 31 August 2022.

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

Section 5: Adjusted and unadjusted items

Unadjusted items	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
Surplus before adjustments		10,245,000		
Total unadjusted amounts				
Potential surplus		10,245,000		

We confirm the above adjustments should not be made to the accounts for the period ended 31 August 2022.

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 2022 was £112,770, with all adjustments above £6,265 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 2022 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




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 2022. 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 Trustees 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)
	It was noted during the course of our audit that adequate documentation for salaries does not always appear to be kept within the trust and variation letters in some instances were noted not to be up to date.	We recommend all variation letters are kept up to date.	Y	The HR database will be used to retain all variation letters. For those staff with missing historic data, a contract confirmation form will be issued to all staff in April 2023 and signed by the member of staff, showing their current grade, hours and term time only formula where appropriate.

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
Medium	<u>Purchasing</u> In the prior year it was noted that several schools across the Trust were not generating official purchase orders prior to ordering goods or services.	No such issues in the current year.
Medium	<u>Consolidated Trust schedules</u> It was noted in the prior year that consolidated schedules were not prepared across the trust for areas such as accruals, prepayments and fixed assets etc.	Consolidated schedules were prepared this year for all areas.
Medium	<u>Related party transactions</u> It was noted in the prior year that related party transactions were entered into with WNTAI Services Limited without declaration to the ESFA.	All noted related party transactions in the year were appropriately declared to the ESFA.

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 2022. 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 16 September 2022 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 (as set out in the Audit Finance Report) 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 Academy Trust 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:

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Value</u>
WNTAI Services Limited	Local Governor is director	Governor services	£7,740

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 for 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:

	£
General Annual Grant (GAG)	9,197,000
Pupil Premium	694,000
PE and Sports Premium	161,000
Universal Infant Free School Meals	258,000
Rates Relief	26,000
Teachers' Pay Grant	15,000
Teachers' Pension Grant	41,000
Other DfE/ESFA grants	284,000
SEN	322,000
Early Years Funding	970,000
Other Local Authority Grants	34,000
Other Government Grants	98,000
Devolved Formula Capital & Condition Improvement Fund	1,549,000
Other capital donations	90,000

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 Trustees in order to make himself aware of any relevant audit/other information and to establish that you are aware of that information.

Appendix A - Letters of representation – regularity

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to Inspire Partnership Multi Academy Trust and the Education and Skills Funding Agency (ESFA) for the year ended 31 August 2022. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy me that I can make each of the following representations. All representations are made to the best of my knowledge and belief.

General

1. I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between Inspire Partnership Multi Academy Trust and the Secretary of State for Education dated 29 April 2014 and the Academy Trust Handbook 2021.
2. I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.
3. I acknowledge my responsibility to notify the governing body and the ESFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy trust's funding agreement and have had due regard to the requirements of the Academy Trust Handbook 2021 in performing this duty.
4. Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the ESFA.
5. Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the academy trust's authorising framework.
6. Full and free access has been granted to the all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

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
During the course of our audit we noted that interest on the Dynamic Cash Management bank account was not recognised amounting to £625.	We recommend that all interest and transactions through the bank account is recognised in the financial statements.

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 2022

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

General

With over 100 new academies converting on the 1 September 2022, there are now more than 10,000 academy schools in England. Given that over 80% of secondary schools are now academies this means that well over 50% of all pupils are now educated in an academy trust.

Over the last few years whilst the number of academies has increased the number of trusts that those academies are members of has reduced. This consolidation is likely to increase following the publication of the white paper (more below).

The following table is extracted from the ESFA summary of academies at 1 August 2022.

Trust Size	Academies, free schools, studio schools and UTCs	% Academies	Trusts	% Trusts
1	1,317	13.2%	1,317	52.6%
2	460	4.6%	230	9.2%
3-5	1,701	17.0%	439	17.5%
6-10	2,246	22.5%	297	11.9%
11-20	2,363	23.7%	166	6.6%
21-30	751	7.5%	29	1.2%
31-40	589	5.9%	17	0.7%
41+	563	5.6%	11	0.4%
Total	9,990	100.0%	2,506	100.0%

White paper

The white paper was issued in March 2022. In the paper, the government has set out how it aims to improve educational results. To do so it highlights the following changes:

- Schools will offer a minimum school week of 32.5 hours by September 2023
- Ofsted will inspect every school by 2025, including the backlog of 'outstanding' schools that have not been inspected for many years
- By 2030 all children will benefit from being taught in a school in, or in the process of joining, a strong multi-academy trust, which will help transform underperforming schools and deliver the best possible outcomes for children
- At least £100m to put the Education Endowment Foundation on a long-term footing so they can continue to evaluate and spread best practice in education across the country

The paper also highlights 500,000 teacher training and development opportunities by 2024 and a £30,000 starting salary for teachers amongst other comments.

One of the main focuses in the press has been the government's aim that all schools will be part of a strong multi academy trust. To date we have not seen a definition nor a list of characteristics which set out what a strong multi academy would look like.

To help facilitate the conversion of schools to academies the government is seeking to pilot local authorities setting up their own academy trusts (something previously not allowed). We understand that 29 local authorities (out of a possible 152) have expressed an interest in the pilot. The pilot we believe will be limited to circa 10.

Appendix D – Technical Update

Cost increases

Salaries

The proposed pay award is:

Teacher pay, rest of England			
	Existing	2022/23	Change between existing and 22/23
M1	£25,714	£28,000	8.9%
M2	£27,600	£29,800	8.0%
M3	£29,664	£31,750	7.0%
M4	£31,778	£33,850	6.5%
M5	£34,100	£35,990	5.5%
M6	£36,961	£38,810	5.0%
U1	£38,690	£40,625	5.0%
U2	£40,124	£42,131	5.0%
U3	£41,604	£43,685	5.0%

ECT main scale upper pay scale

Source: School Teachers' Review Body 32nd Report 2022 – CP 714 (publishing.service.gov.uk) tes

The level of increase is significantly higher than most trusts had included in their 2022/23 budgets prepared earlier this year. At the time of writing there are ongoing discussions regarding potential industrial action, as the offer above is considered inadequate by the trade unions.

The government has currently given no indications about whether additional funding will be made available either to cover the original increase, above, and/or any further increases agreed with the trade unions.

Inflation

Energy prices have risen significantly over the last twelve months. Typical increases that we have seen are between 200% and 300%. Schools with historical annual energy costs of £100k are seeing renewals of nearly £300K.

CPI was 10.1% in the twelve months to July 2022. This is having a significant impact on most costs. In particular there have been significant increases in paper and catering costs. The latter are leading to schools reviewing their lunchtime offering for pupils. Where schools may have offered say, a main, pudding and drink, this has changed to a main and pudding with say water dispensers being made more widely available.

Inflation (continued)

The other significant impact is on academies undertaking capital projects which were funded by CIF grants. In many cases the bids were made based on quotes obtained earlier this year. We are finding that a number of academies are having to make tough decisions regarding these projects:

1. Make a contribution/further contribution from reserves to the project
2. Scale back the project
3. Not to proceed

Academies should consider revisiting the budget set earlier in the year to assess the impact. As a result corrective action may be required, depending upon any additional government support.

Academies Accounts Direction 2022 (AAD)

This consists of three documents:

- Academies Accounts Direction (AAD)
- Model set of accounts
- Framework and guidance for external auditors

The limited changes that were introduced when this was updated earlier this year were covered within the technical section of our audit plan, issued earlier this year.

Academy Trust Handbook (ATH)

This document is essential reading for all trustees and directors.

The ATH is updated yearly and effective from 1 September. The 2022 ATH was released on the 24 August 2022, significantly later than normal. It is therefore comforting to know that the changes were only minor:

1. Financial reporting

An academy trust must submit to the Education, Skills, and Funding Agency (ESFA) a trustee approved budget forecast return (BFR) each July. The board of trustees must notify the ESFA within 14 calendar days of its meeting if it sets a cumulative deficit budget. The requirement to submit a Budget Forecast Return Outturn (BFRO) has been withdrawn.

2. Special payments

In accordance with HM Treasury's Guidance on Public Sector Exit Payments, academy trusts must obtain prior ESFA approval before making a special staff severance payment where an exit package (which includes a special severance payment) is at or above £100,000, or the employee earns over £150,000. This is the only change that has been made with regard to special severance payments and all other requirements still apply.

3. Indemnities

Confirming that trusts will be able to enter into indemnities which are in the normal course of business without seeking approval.

4. Religious Character

Extending the scope from dioceses to all religious authorities. Confirming that the provision of services to protect and develop the religious character and ethos, which can only be provided by a religious authority are regarded as meeting the 'at cost' requirement.

Land and buildings collection tool (LBCT)

This was due to go live on 4 October, however it has now been delayed for several weeks. A new section has been added to the 'tool' regarding non-land and building leases. This additional information is being requested, we believe, so that the ESFA can assess the impact of a new accounting standard (IFRS16 – leases) which is due to be implemented in either the 2024 or 2025 academy financial statements.

Financial statements and academies accounts return (AAR) automation

The ESFA issued a detailed standard chart of accounts (CoA) a few years ago. A significant number of trusts have now migrated to this chart.

As a result of trusts converting to the CoA, the ESFA has been working with some of the trusts accounting software providers on a number of automation projects. The initial project was to automate the AAR. This is being done by in essence linking the trusts CoA to the AAR, so that the AAR can be automatically populated. Given that circa 80% of the data in the AAR is financial this would reduce greatly the need to re-input data. Currently different software providers are at different stages of being able to offer this to their academy trusts.

On the 1 September the ESFA announced a further project. This one involves the production of the year end statutory financial statements. Looking at the initial model this seems to produce the numbers part of the financial statements in an excel document. Whilst the numbers will flow through from the chart of accounts to this excel model, we are not clear on how any narrative would be included, nor how changes to the AAR would be dealt with in future years.

We are going to review this option for our academy clients in due course and will provide updates as there is more clarity over the process.

Cyber Insurance

If you are using the risk protection arrangement (RPA) to ensure that you meet the requirements for cyber insurance, you must meet the following four conditions:

1. Must have offline backups
2. All employees or Governors who have access to the Member's information technology system must undertake NCSC Cyber Security Training
3. Must register with Police CyberAlarm
4. Must have a Cyber Response Plan in place

For more information, see Cyber Guidance note.

Full terms and conditions of the cyber cover can be found in the Membership Rules.

Local Government Pension Scheme (LGPS)

The LGPS is a defined benefit pension scheme for support staff. Every three years an actuary reviews the scheme and advises on the employer contribution rates for the next three years. The actuaries are currently reviewing the data as at 31 March 2022, which will impact on the employer LGPS rates from 1 April 2023. It is difficult to predict the outcome, especially in these unusual times. The value of the investments held increased more than expected in the three years to 31 March 2022, which would normally indicate a possible reduction in the rates, however with inflation increasing this is more than likely to offset that positive news.

Speaking with one actuary they are expecting a small increase in the employer rate from 1 April 2023, although that will vary from scheme to scheme depending upon asset investment policies and the profile of the members. It is expected that trusts will be informed of the new employer contribution rate sometime around November.