

Key Audit Issues Memorandum

for the year ended 31 August 2020 for

Light Hall School

Issued by: Matt Stephens, Audit Manager

Date of issue: 30 November 2020



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1. Introduction

This report has been prepared for the trustees of Light Hall School to bring attention to those charged with governance various matters arising from the audit of the academy trust for the year ended 31 August 2020.

Our audit and assurance procedures, which have been designed to enable us to express an opinion on the financial statements and provide a limited assurance conclusion on regularity, have included an examination of the transactions and controls thereon of the company.

The work we have done was not primarily directed towards identifying weaknesses in the company's accounting systems, other than those that would affect our audit or assurance opinions, nor to the detection of fraud. We have, however, designed our audit and assurance procedures in such a way that we felt would increase our chance of detecting any fraud.

We have included in this report only those matters that have come to our attention as a result of our normal audit and assurance procedures and, consequently, our comments should not be regarded as a comprehensive record of all weaknesses that may exist or improvements that could be made.

This report is to be regarded as confidential to the trustees of Light Hall School and is intended only for use by them, and the staff of the academy. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this report, or any part of it, is disclosed to a third party, other than to the Education & Skills Funding Agency, our written consent must be obtained.

The report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could result in material loss to the academy trust or misstatement of the financial statements and other financial data.

Roles and Responsibilities

The trustees are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the trustees confirm that our understanding of all of the matters referred to in this report are appropriate, having regard to their knowledge of the particular circumstances.



2. Overview

Audit Status and overall opinion

We set out below the current status of the audit and our timetable to completion.

We have substantially completed our work, and intend to issue an unmodified audit opinion, subject to the trustees' approving the financial statements and any other minor outstanding items listed below being received and/or completed.

The following matters are outstanding at the date of this report:

- Final review and approval by you of the final financial statements;
- Agreement of the final financial statements, including the Trustees Annual Report, to the latest draft;
- Post balance sheet events review to the date of signing the financial statements, including review of latest minutes and management accounts;
and
- Receipt of signed letters of audit and regularity assurance representations.



2. Overview

Independence and ethical standards

We have not identified any potential threats to our independence as auditors. Please see section 3 for further details.

Audit scope and objectives

We set out the scope and objectives of our audit. Please see section 4 for further details.

Overall audit strategy

We set out our overall audit approach in section 5.

Key audit and accounting issues

We have obtained sufficient, appropriate audit evidence for the significant issues and risks identified during our audit.

During our audit we found no instances of fraud or irregularity.

During our limited scope assurance engagement on regularity we did identify some instances where the trust has not been compliant with the Academies Financial Handbook. These instances are included within section 7 recommendations for the current year.

Recommendations

We are required to report to you on the significant deficiencies we found in internal controls during the course of our audit, along with any other deficiencies identified.



2. Overview

Misstatements and adjustments to the accounts

It is considered good practice to inform you of any material misstatements within the financial statements presented for audit that have been discovered during the audit. A material misstatement is one where the auditors believe that the misstatement is such as to affect the reader's understanding of the accounts. Materiality is considered in relation to the value of the misstatement and also its context and nature.

In addition to performing the audit you engaged us to complete the preparation of the financial statements from your underlying records. As part of this work we made various adjustments as set out in Appendix I.

It is generally not practicable to make accounts completely accurate because judgements need to be made and it is difficult to obtain 100% of information about all transactions. Our role is to ensure that deviations from complete accuracy are not material to the reader of the accounts. During the course of our audit we have come up with various proposed adjustments to make the accounts more accurate. We are required by Auditing Standards to inform you of any such adjustments which have not been made, other than those deemed to be clearly trivial.

Confirmation of any unadjusted audit differences are shown in Appendix III.

Going concern

The trustees need to give consideration to the level of reserves maintained, and consider going concern for the period to 31 December 2021, being at least 12 months from the approval of the accounts and ensure they agree with the assessment. The trustees have confirmed that they believe 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. Our review supports the going concern status of the academy trust.

Thanks:

We would like to take this opportunity to thank the entire finance team and other staff for their co-operation and assistance afforded to us during the course of the audit.



3. Independence

Under current UK Ethical Standards we are required as auditors to confirm our independence to “those charged with governance” i.e. the trustees/directors. Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors.

The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the audit engagement partner and the audit staff.

Our Audit Service Plan report issued before we began our fieldwork sets out the non-audit services we provide, the potential threats, the safeguards in place and why, overall, we do not feel our independence is in any way compromised.

We have not begun providing any new non-audit services since we issued our Audit Service Plan report in September.

Therefore:

We confirm that we believe there are no relationships between us and you and your related entities creating an actual or perceived threat to our independence. Therefore, in our professional judgement, as at the date of this report and based on our knowledge to date, we are independent of the academy trust and our objectivity has not been compromised or impaired.

We would be pleased to discuss our independence and objectivity further with you if you so wish.



4. Audit scope and objectives

Our statutory audit of the financial statements is carried out in accordance with International Standards on Auditing (UK), with the aim of forming an opinion whether:

The financial statements give a true and fair view of the state of the academy trust's affairs as at 31 August 2020 and of the academy trust's result for the year then ended.

The financial statements have been properly prepared in accordance with FRS 102.

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and the Annual Academies Accounts Direction issued by the Education & Skills Funding Agency.

The information given in the Trustees' Report for the financial year is consistent with the financial statements.

We also report on whether:

The academy trust has kept adequate accounting records.

The financial statements are in agreement with the accounting records and returns.

Other information contained in the annual report is not consistent with the audited financial statements.

Certain disclosures of trustees' remuneration specified by law are not made.

We have not received all the information and explanations we require for our audit.



5. Overall audit strategy

Risk-based audit

We performed a risk-based audit, focussing our work on key audit areas. We began by developing further our understanding of the trust's activities and the specific risks it faces. We held an initial planning meeting with key management and finance staff to ascertain management's own view of potential audit risk, and to gain an understanding of the trust's activities. We have also developed an in depth understanding of the accounting systems and controls so that we may ensure their adequacy as a basis for the preparation of the financial statements, and that proper accounting records have been maintained.

Our audit procedures were carried out, and then we ensured the presentation and disclosure in the accounts meet all the necessary requirements.

Risk-based limited assurance engagement

In addition to our audit opinion we are also required to perform a limited scope assurance engagement, reporting both to you and to the Education & Skills Funding Agency ("ESFA"), considering whether the expenditure disbursed and the income received by the trust during the period 1 September 2019 to 31 August 2020 has been applied to the purposes identified by Parliament and that the financial transactions undertaken by the trust conform to the authorities which govern them. This latter point is concerned with looking at compliance with the requirements of the various frameworks that apply to trust, including your memorandum and articles, your funding agreements, the Academies Financial Handbook(s) extant for the relevant period, the Academies Accounts Direction 2019 to 2020, the Charities Act 2011 and the Companies Act 2006.

Our approach was once again risk-based. We began by developing our understanding of the trust's own approach to ensuring the proper application of funds received and to ensuring compliance with relevant legal and contractual frameworks. We developed an understanding of the trust's governance arrangements and internal control procedures, planning our work accordingly to allow us to gain sufficient evidence to give the required limited assurance opinion. Our assurance procedures included reviewing and commenting on the Accounting Officer's Statement on Regularity, Propriety and Compliance, and the trustees' report and governance statement. We also discussed with the Accounting Officer the procedures performed so that the conclusions over Regularity could be reached.



5. Overall audit strategy

Significant risks

As part of our audit procedures we are required to consider the significant risks that require special audit attention.

Auditing Standards require us to consider:

- Whether there is a risk of fraud;
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention;
- The complexity of transactions;
- Whether the risk involves significant transactions with related parties;
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

The identified significant audit risks were communicated to you in our audit planning report issued before our main fieldwork began. We now note the work performed and conclusions drawn on the following pages:



5. Overall audit strategy

| Risk | Explanation of the risk | Audit work performed | Conclusion |
|--|---|--|--|
| <p>Revenue recognition (mandatory risk)</p> | <p>There is an inherent risk in all organisations in relation to revenue recognition, i.e. that income may be accounted for in the wrong period. The auditor's responsibility to consider fraud in an audit of financial statements therefore is an assumption that revenue recognition is a fraud risk.</p> <p>Income from grants should be recognised when the conditions of recognition have been satisfied.</p> <p>Income from contractual arrangements should be recognised in the period in which entitlement has been earned through service delivery.</p> <p>Management exercise judgment in determining when income from grants should be recognised.</p> <p>There is also potentially management judgement in the classification of income between restricted and unrestricted funds.</p> | <p>We documented the income systems and carried out audit procedures to gain assurance over the operation of internal financial controls in place to prevent the loss of income and to ensure that income is recorded in the correct period.</p> <p>We discussed with the trustees and academy finance staff whether they are aware of any cases of fraud occurring during the year. We also reviewed Full Governing Board minutes.</p> <p>Our audit testing involving sampling income balances and the associated funding agreements, verifying to supporting documentation to ensure income has been recognised in the correct period.</p> <p>We also considered whether income had been correctly classified between restricted and unrestricted funds, reviewing any terms and conditions of, for example, grant income.</p> | <p>No significant issues arose during our sample-based checks including on our work on ESFA and non-ESFA income.</p> |



5. Overall audit strategy

| Risk | Explanation of the risk | Audit work performed | Conclusion |
|--|---|--|--|
| <p>Management override (mandatory risk)</p> | <p>The trustees and other management have the primary responsibility for the detection of fraud, as an extension of their role in preventing fraudulent activity. Trustees should ensure a sound system of internal controls is in operation to support these, and other, objectives.</p> <p>Auditing Standards presume a significant risk of management override of the system of internal controls.</p> <p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error.</p> <p>We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent.</p> | <p>Management often find themselves in a unique position where potentially could override routine day to day financial controls.</p> <p>Our audit considers this risk and we adapt our procedures accordingly.</p> <p>During our audit we considered the possibility of manipulation of financial results, for example through the use of journals or management estimates, such as provisions and accruals.</p> | <p>Our audit procedures have not identified any instances of management override.</p> |
| <p>Valuation and disclosure of the LGPS deficit and related disclosures required under FRS 102</p> | <p>This is a material provision and accounting estimate to be included with complex disclosures that are subject to a high degree of judgement.</p> | <p>Review the documentation from the actuary and ensure that the assumptions therein are valid and reasonable.</p> <p>Ensure that the correct provision has been made at the end of the period and that all movements and disclosures in the period have been treated correctly.</p> | <p>The basis of the FRS 102 liability appears reasonable and is in line with that used by other academies.</p> |



5. Overall audit strategy

| Risk | Explanation of the risk | Audit work performed | Conclusion |
|---|---|--|--|
| <p>Regularity and propriety of income and expenditure</p> | <p>As set out on page 9 we are required to obtain limited assurance about whether the expenditure disbursed and income received by the trust during the financial year have been applied to the purposes intended, and whether the financial transactions conform to the authorities which govern them.</p> <p>The Academies Accounts Direction lists the following matters which apply to the trust which may potentially trigger an increased likelihood of irregularity in an established academy trust:</p> <ul style="list-style-type: none"> • culture (attitude and values) within the academy trust; • a change in accounting officer, principal finance officer or significant changes in the board of trustees; • an expansion of the number of academies within the academy trust; and • changes to the scheme of delegation or major accounting systems. <p>Regularity also covers compliance with the Academies Financial Handbook which contains a significant number of 'must' requirement which the trust needs to adhere to.</p> | <p>Review of systems in place to ensure that there are financial controls in place that comply with guidelines in the Academies Accounts Direction.</p> <p>We have asked the Accounting Officer to complete an Accounting Officers statement (regularity checklist). The answers to this were reviewed and, if necessary, discussed with the AO to obtain further explanations. Where necessary the answers were corroborated with other information available to us.</p> <p>An assessment of the risk of material irregularity and impropriety across all of the academy trust's activities.</p> <p>Sample check of transactions, including purchases and salary payments, to source documentation to ensure expenditure incurred for a valid purpose and does not indicate any regularity issues.</p> <p>Review and testing of credit card transactions.</p> <p>We also considered whether income had been correctly classified between restricted and unrestricted funds, reviewing any terms and conditions of, for example, grant income.</p> | <p>We have not been informed of any material control weaknesses or irregularity.</p> <p>Based on our review of the Accounting Officers statement (regularity checklist), the work undertaken to verify the responses provided, and our consideration of the regularity and propriety of transactions selected for our sample based testing, we are satisfied that the conclusion reached in our regularity assurance report is appropriate.</p> <p>Any instances of non-compliance with the Academies Financial Handbook are included in recommendations</p> |



5. Overall audit strategy

| Risk | Explanation of the risk | Audit work performed | Conclusion |
|--------------------------------------|--|--|--|
| <p>Related and connected parties</p> | <p>We are required to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the Companies Act 2006 and Academies Accounts Direction. In particular, the Accounts Direction requires that:</p> <ul style="list-style-type: none"> • declarations of business interests have been completed by those in a position to influence the academy trust, including key staff; • contracts with connected parties have been procured following the academy trust's procurement and tendering process. • where contracts are entered into or renewed the academy trust has obtained statements of assurance (confirming no profit element was charged) and the academy trust has followed their internal processes in reviewing this; • the academy has requested, under the open book arrangement, a clear demonstration that the charges do not exceed the cost of supply; • any trustees who provide consultancy services to the academy are not receiving a profit for their services and the correct procurement and tendering process is being followed; • no connected party gains from their position by receiving payments under terms that are preferential; and • if employees are providing external consultancy that the income is being received into the academy's accounts if the work was performed within the academy's normal working hours. • relevant new related party contracts of other agreements entered into post 1.4.2019 have been notified to the ESFA in advance, and that pre-approval has been obtained for any such transactions in excess of £20,000 (including cumulatively in the year). | <p>We discussed with management and reviewed trustee and other senior management declarations to ensure there are no potential related party transactions which have not been disclosed.</p> <p>Internal procedures in place for the identification of related party transactions were reviewed and assessed, and any relevant information concerning any such identified transactions was reviewed.</p> <p>A Companies House search was completed for each of the trustees to identify possible related parties with which the trust may have transacted.</p> <p>We have requested written management representations from you confirming the full disclosure of related party transactions. (Related party disclosure checklist)</p> | <p>A number of related party transactions have taken place between the trust and parties connected to the trustees during the year.</p> <p>Based on the work undertaken, we have not identified concerns over the completeness of related party transaction disclosures.</p> <p>We will obtain written representations from you also, asking the Board and to confirm their satisfaction with the completeness of the disclosures made.</p> <p>We have reviewed the completion of the related party checklist.</p> |



6. Status of audit issues raised in prior year

This section updates you on the status of the issues we brought to your attention last year, and confirms whether any further action is required.



Medium risk/priority - internal controls should be strengthened to enhance operational efficiency but action is not time critical.

Med



Low risk/priority - Internal controls could be strengthened but there is little risk of material loss. This may be a point for future consideration as risks faced by the Trust evolve over time.

Low



Advisory only. This point has been raised merely to bring something to your attention, or to highlight areas of inefficiencies or good practice.

| | Issue raised in prior year | Priority prior year | Solution suggested in prior year | Follow up comments / further action required | Priority now |
|----|---|---------------------|--|--|--------------|
| 1. | <p>There are no independent checks of changes to bank sort codes for BACs payments made by the Academy.</p> <p>Changing bank sort codes to transfer payments to a non-supplier organisation and then reverting back to the original details, is the most frequent type of fraud transaction.</p> <p>It is noted that there is no evidence of these transactions taking place at Light Hall School</p> | Low | <p>It is recommended that an audit report produced from Corero identifying changes to supplier accounts details, are reviewed by an individual without access to the finance system.</p> <p>The details should be referred periodically to the Audit Committee and retained for audit purposes.</p> | No further action required. | N/A |
| 2. | <p>Section 2.3.3 of the Academies Financial Handbook states that management accounts must comprise the following:</p> <p>“Budget variance reports and cash flow forecasts with sufficient information to manage cash, debtors and creditors.”</p> | Low | <p>It is recommended that the management information should include details of the balance sheet and a cashflow.</p> <p>The board should also consider using the ‘At a Glance’ report for the Chair of Trustees, which will provide trends of activities etc. rather than a full management report. This management</p> | No further action required. | N/A |



6. Status of audit issues raised in prior year

| | Issue raised in prior year | Priority prior year | Solution suggested in prior year | Follow up comments / further action required | Priority now |
|----|--|--|--|--|--|
| | <p>The current monthly management accounts do include variance reports to budget, but do not include information on debtors, creditors and a cash flow.</p> <p>A cashflow is prepared, this does not currently form part of the monthly management accounts.</p> | | information format is issued by many academies. This can be particularly useful for Trustees who do not have a financial background. | | |
| 3. | <p>The Light Hall School website does not currently include pupil premium information relating to the prior year. The ESFA guidelines recommend that for the previous academic year, the following should be published:</p> <ul style="list-style-type: none"> • how you spent your pupil premium funding • the effect that the pupil premium had on pupils <p>https://www.gov.uk/guidance/what-academies-freeschools-andcolleges-should-publish-online#pupilpremium</p> |  Low | <p>It is recommended that the guidance on what an academy school should publish is reviewed, to ensure the Light Hall School website reflects the requirements.</p> | No further action required. | N/A |
| 4. | <p>The ESFA Land & Buildings Desktop Valuation has valued the land and buildings at £14m as at 31 March 2016. The current value of land and buildings recorded in the financial statements as at 31 August 2019 is £20.5m. This represents a difference in valuation of £6.5m from 2016.</p> |  Low | <p>It is recommended that a formal valuation of the land and buildings is undertaken, to ensure that they are accurately represented in the financial statements.</p> | Due to COVID-19, a formal valuation has not been obtained in 2020. |  Low |



6. Status of audit issues raised in prior year

| | Issue raised in prior year | Priority prior year | Solution suggested in prior year | Follow up comments / further action required | Priority now |
|----|---|--|--|---|--------------|
| | <p>Given the significant difference in valuation, this has not been adjusted for in the financial statements, before further clarity is sought.</p> <p>The Desktop Valuation states that this does not need to be adopted in the financial statements.</p> <p>As Light Hall School are part of the RPA scheme, buildings are insured to their replacement value, so there is no risk that the buildings are undervalued for insurance purposes.</p> | | | A company has been identified and the work will be carried out in 2021. | |
| 5. | <p>The Scheme of Delegation states that invoices over £5,000 require authorisation from the Head Teacher prior to payment.</p> <p>One invoice for £5,933 from Babble Cloud (AT) Limited for technology costs did not have the Head Teachers signature.</p> <p>No other invoices were identified that did not have the appropriate approval.</p> |  Low | <p>It is recommended that all invoices are authorised in line with the Scheme of Delegation</p> | No further action required. | N/A |



7. Recommendations for the current year

Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you. As the purpose of the audit is for us to express an opinion on the trust's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We confirm that we have not identified any significant deficiencies in internal control during the current year audit.

We did, however, note some areas where minor improvements could be made, and these are listed later in this report.

We are also required to communicate other significant audit findings such:

- where we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate in the particular circumstances of the entity;
- significant difficulties, if any, encountered during the audit; or
- other matters, if any, arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process are communicated to those charged with governance.

We confirm that we have nothing to report to you in any of the above three areas.



7. Recommendations for the current year

Other issues and comments

We also bring to your attention other issues and observations arising during our audit work, along with our recommendations. Your management response is also provided. See Appendix IV for the basis of the risk / priority ratings.

| | Priority | Area | Observation | Recommendations | Management response |
|----|--|----------------------------------|---|---|---|
| 1. |  Low | Disclosure of Business Interests | <p>A review of Companies House identified that AD is a Director of Sparta Insurance Services Group Limited and Sparta Broker Solutions Limited.</p> <p>These business interests have not been disclosed on the academies register of interests. It is a must requirement of the AFH 2020 for boards of trustees to keep their register of interests up-to-date at all times.</p> <p>It is also noted that the academies website does not disclose AH's appointment with Citizens Advice Solihull Borough.</p> | <p>It is recommended that the register of business interests is updated to reflect AD's appointments.</p> <p>Both AD's and AH's appointments should be reflected on the academy website.</p> <p>The academy should also review the key changes to the AFH 2020 to ensure compliance. UHY have produced a summary report outlining the key changes:</p>  | <p>Audit recommendation accepted.</p> <p>AD directorships to be recorded on the Pecuniary Interests Register by 31.12.20</p> <p>Website to be updated to reflect AD and AH appointments by 31.12.20</p> |



Appendix I – Agreed accounting adjustments

Adjustments have been identified during the statutory accounts preparation. A list of all journals has been provided separately to, and agreed with, management.



Appendix II – Summary of financial performance and position

Financial performance

Based on the audited financial statements, **the trust's total reserves decreased by an amount of £1,915k** (2019: decreased by £797k) during the year. This total movement on funds is shown in the main statutory financial statements on the Statement of Financial Activities.

Excluding movements on tangible fixed assets, the LGPS defined benefit pension liability, and other non-recurring items, **the trust's "operational" surplus on revenue funds for the year was £83k** (2019: £34k deficit), as reconciled below.

| | | 2020 (£000s) | 2019 (£000s) |
|--|-------|--------------|--------------|
| Overall net movement in funds for the year per SOFA | | (1,915) | (797) |
| Decrease attributable to fixed asset fund | See A | 475 | 265 |
| LGPS actuarial loss | See B | 1,374 | 340 |
| LGPS service and interest costs | See B | 143 | 158 |
| Movement in revenue funds during the year | | 77 | (34) |
| Add: Transfers from revenue to capital to fund fixed asset additions | | 6 | - |
| Operational surplus /(deficit) on revenue funds before transfers to capital | | 83 | (34) |

Note A - The movement on restricted fixed asset funds comprises capital grant income received during the year less depreciation charged on capitalised assets purchased from such funds, notably the school buildings. Since these do not relate to day-to-day operational matters the movement on fixed asset funds is excluded from the operational result.

Note B - The Balance Sheet carries the trust's share of the deficit on the Local Government Pension Scheme. A detailed report has been prepared by an actuary detailing the movement in the deficit during the year. The movement is in two parts: (1) the actuarial gain relates to movement linked to the assumptions made by the actuary, (2) other movements comprising (i) net interest costs (ii) current service costs - the value of benefits accrued by members over the accounting period less contributions paid .



Appendix II – Summary of financial performance and position

Financial position

The Balance Sheet summarises the financial position of the trust at 31 August 2020 and a more detailed split is contained in the Statement of funds note within the financial statements. The table below highlights the key numbers you should be aware of and the prior year comparatives:

| | | | 2020 (£000s) | 2019 | 2019 (£000s) |
|---------------------------------------|-------------------------------|-----|----------------|------|----------------|
| Total funds | | | 17,106 | | 19,021 |
| Split between: | | | | | |
| | | | | | |
| Revenue income funds | Restricted funds | 10% | 49 | 0% | - |
| | Unrestricted funds | 90% | 447 | 100% | 419 |
| (1) Total revenue income funds | | | 496 | | 419 |
| | | | | | |
| (2) LGPS pension reserve | | | (3,625) | | (2,108) |
| | | | | | |
| Restricted fixed asset funds | Net book value of fixed asset | | 20,277 | | 20,543 |
| | Fixed asset loan | | (53) | | (62) |
| | Unspent capital income | | 11 | | 229 |
| (3) Total fixed asset funds | | | 20,235 | | 20,710 |



Appendix II – Summary of financial performance and position

Key disclosures and other information in the statutory accounts

Trustees' report financial review. The financial review and financial position sections of the trustees' report narrative provide a detailed explanation of the financial performance in the year.

Reserves. This section of the trustees' report compares the financial position and funds held against your reserves policy.

Related party disclosures. This note discloses any related party transactions taking place during the year, and also discloses whether any close family of any trustee, member or senior management work for the trust.

Going concern. Accounting policy 1.2 explains why trustees have concluded that the use of the going concern basis to prepare the financial statements is appropriate.



Appendix II – Summary of financial performance and position

Benchmarking of key ratios

In early 2021 we will be preparing our 9th annual benchmarking report for academies. Once this has been published we will provide our academy clients with a personalised report comparing their key ratios against appropriate averages including:

- Staff to pupil ratios
- GAG result
- Income per pupil
- Staff costs per pupil and as a percentage of total expenditure
- Cash balances per pupil
- Reserves per pupil

Our last benchmarking report covered over 1,300 academies and we anticipate our report based on 2019/20 results will cover even more.



Appendix III – Unadjusted audit differences

We are required to bring to your attention audit adjustments that the trustees are required to consider. A schedule of such adjustments is included below.

We understand that management consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole, and have asked you to confirm this in written representations. We concur with this judgement, and believe that the effects of the uncorrected misstatements are immaterial to the financial statements taken as a whole.

Final materiality is £66k based on 1% of total incoming resources.

The adjustment would be to:

| | Dr (£) | Cr (£) |
|--|-----------|-----------|
| SOFA Balance Sheet – Accruals <i>Journal to accrue for various additional invoices</i> | 17,000 | 17,000 |
| Balance Sheet – Purchase Ledger Control SOFA <i>Journal to recognise credit note received after year-end</i> | 5,000 | 5,000 |
| Balance Sheet – Accrued Income SOFA <i>Journal to COVID reclaim paid in October 2020</i> | 9,000 | 9,000 |

and would increase the net expenditure of £541k recorded in the audited financial statements by £3k to £544k.



Appendix IV – Basis of risk / priority ratings

Throughout the report the following risk ratings are used for individual issues:



High

Serious concern such as:

- significant impact on operational performance;
- a major failure of your internal control processes and/ or imminent risk to academy funds. Action needs to be taken to ensure this risk is managed.
- significant monetary or financial statement impact ;
- breach in laws and regulations that could result in material fines or consequences, for example a breach of the Academies Financial Handbook.



Med

Medium concern. Less significant failure of internal control processes or the other bullet points listed under High Risk, but where the finding would have only a moderate impact.



Low

Low level concern. Minor issues relating to immaterial items or more isolated failures where little on-going risk arises.



Advisory only. This point has been raised merely to bring something to your attention, for example to highlight areas of inefficiencies or good practice.

Key changes to the AFH 2020: <https://www.uhy-uk.com/sites/default/files/2020-09/AFH-2020.pdf>



Appendix IV – Emerging and topical issues for academies

2020 Academies Financial Handbook

The 2020 AFH is already active, and we produced a summary of the key changes earlier this year, which is available [here](#).

The key new ‘must’ requirements are listed briefly below:

- All academy trusts must appoint a clerk;
- Internal scrutiny services cannot be provided by the external auditor. The ESFA have recently updated their [internal scrutiny best practice guide](#);
- Information about high executive pay must be published on the trust website separately to the information contained in the financial statements;
- Register of interests must be kept up to date at all times;
- The trust’s whistleblowing policy must be published on the trust’s website;
- All trusts must complete the School Resource Management Self-Assessment Tool by the specified deadline;
- Trusts must maintain a fixed asset register.

Termly reviews of pupil number projections

This is another change introduced in the 2020 AFH but this one is a ‘should’ rather than a must. The board should ensure they challenge pupil number estimates and review these termly.

Trust capacity fund

Applications for the [2020-21 Trust Capacity Fund](#) are currently open.

The fund provides additional funding to support the growth and development of existing academy trusts.

It funds activity taking place between 6 April 2020 and 31 March 2021 and all funded activity must be completed by 31 March 2021.

Streamlined Energy & Carbon Reporting (SECR)

Trusts which are classed as large under the Companies Act size criteria have had to comply with a new requirement to disclose certain SECR information in their 2019-20 accounts.

Please remember that this information also needs to be published on the trust website by 31 March.

Themes arising from ESFA assurance work

The ESFA have recently published an overview of the key assurance findings from their reviews of accounts, funding audits and financial management and governance reviews. [The full report can be read here](#).

One common issue flagged where further development is often required is contingency and business continuity planning, and this has probably been shown up ever more in 2020 with the COVID-19 pandemic.

Deadline changes due to COVID

The Dear AO letter of 26 August confirmed that the forthcoming filing deadlines will be extended:

| Return | New deadline |
|----------------------------------|--------------|
| Land & Buildings Collection Tool | 28 Jan 2021 |
| Auditing annual accounts | 31 Jan 2021 |
| Accounts Return | 23 Feb 2021 |
| 2021 BFRO | 18 May 2021 |
| 2021 3Y Budget Forecast Return | 27 July 2021 |

Related party transaction reminder

Any purchases from a related party must be notified to the ESFA, in advance, via their online form.

Any transaction over £20k, either as a single contract or cumulative transactions, required approval before the contract is agreed (using the same online form).

COVID catch up premium

The pot of £650 million universal catch-up premium funding is available for all state-funded mainstream and special schools, and alternative provision. Mainstream schools are provided with £80 per pupil in years reception through to 11.

Payments are being made throughout 2020/21 in three tranches. The first payment, worth 25% of the provisional allocation, was paid on 8 October 2020, payment two is due early in 2021 and the final payment will be made during the 2021 summer term.

