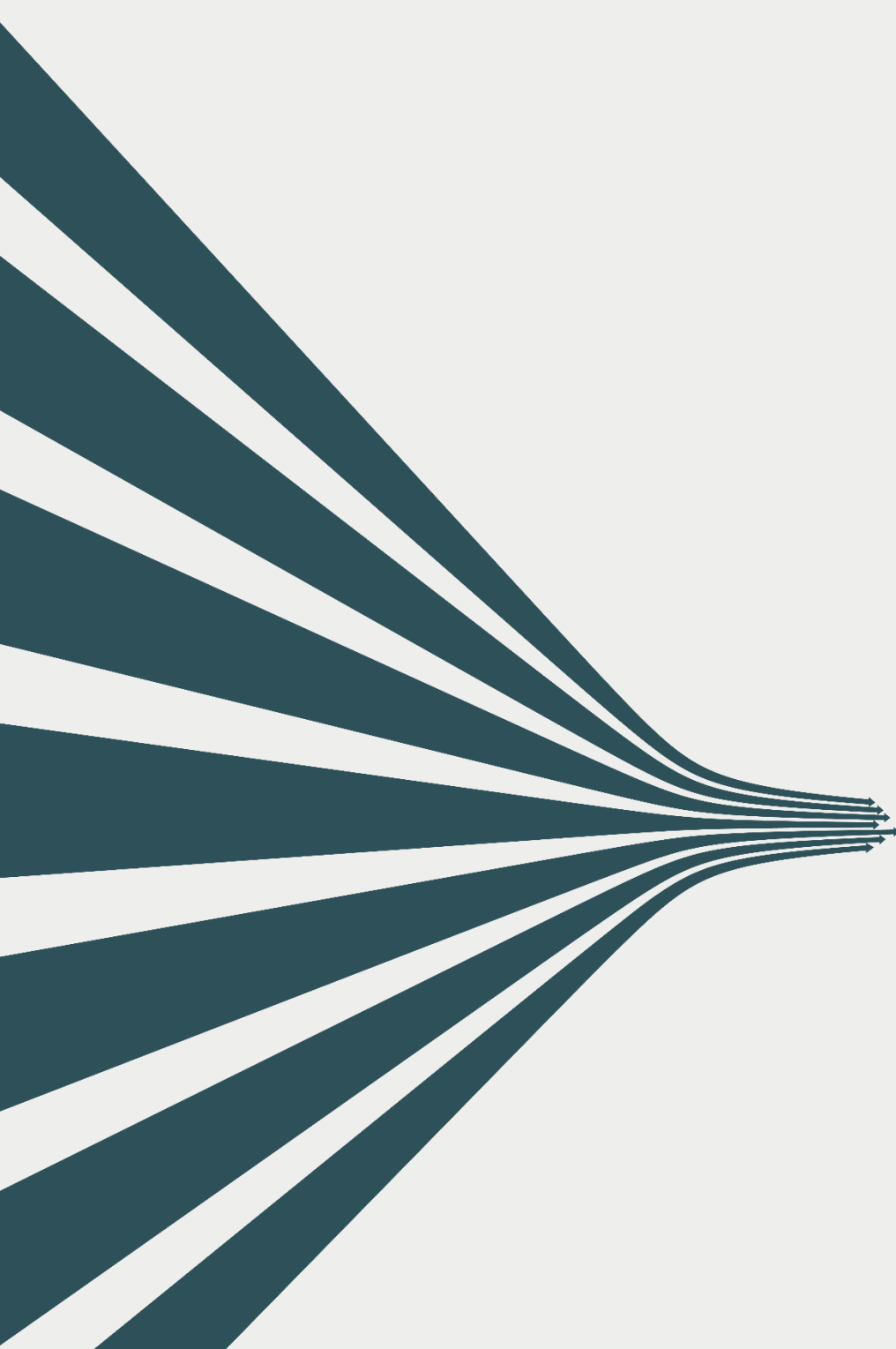


# Light Hall School

## Report to the Board

Year ended 31 August 2023



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## Appendices

- I. Summary of financial performance and position**
- II. Summary of misstatements**
- III. Emerging and topical issues for academies**

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for and is not intended for, any other purpose.

# 01 Introduction

## Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of Light Hall School (“the Trust”) for the year ended 31 August 2023.

This report provides an update to the matters raised in our Audit Service Plan, issued on 22 September 2023 to the directors, focussing on observations that are significant to the responsibility of those charged with governance to oversee the financial reporting process as required by International Standard on Auditing (UK) 260.

Included within this Report are details of any unadjusted misstatements in the financial statements (with the exception of those deemed to be “clearly trivial”), any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures, together with any further relevant matters.

This report provides an update to matters which arose during the course of our audit.

Our Audit Service Plan sets out in detail the key issues and risks identified at the planning stage and the related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

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**The Audit Service Plan addressed the following matters**

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The nature and scope of the audit

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Assessment of our audit independence

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Any limitations in the work we plan to undertake

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The impact of any new accounting or auditing standards

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Form and timing of communications

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Risk areas and our approach to those areas

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Assessment and reliance on internal controls

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We confirm that there were no substantial changes in our approach to the audit or risk areas following the issue of this plan, which need to be brought to your attention.

### Limitations

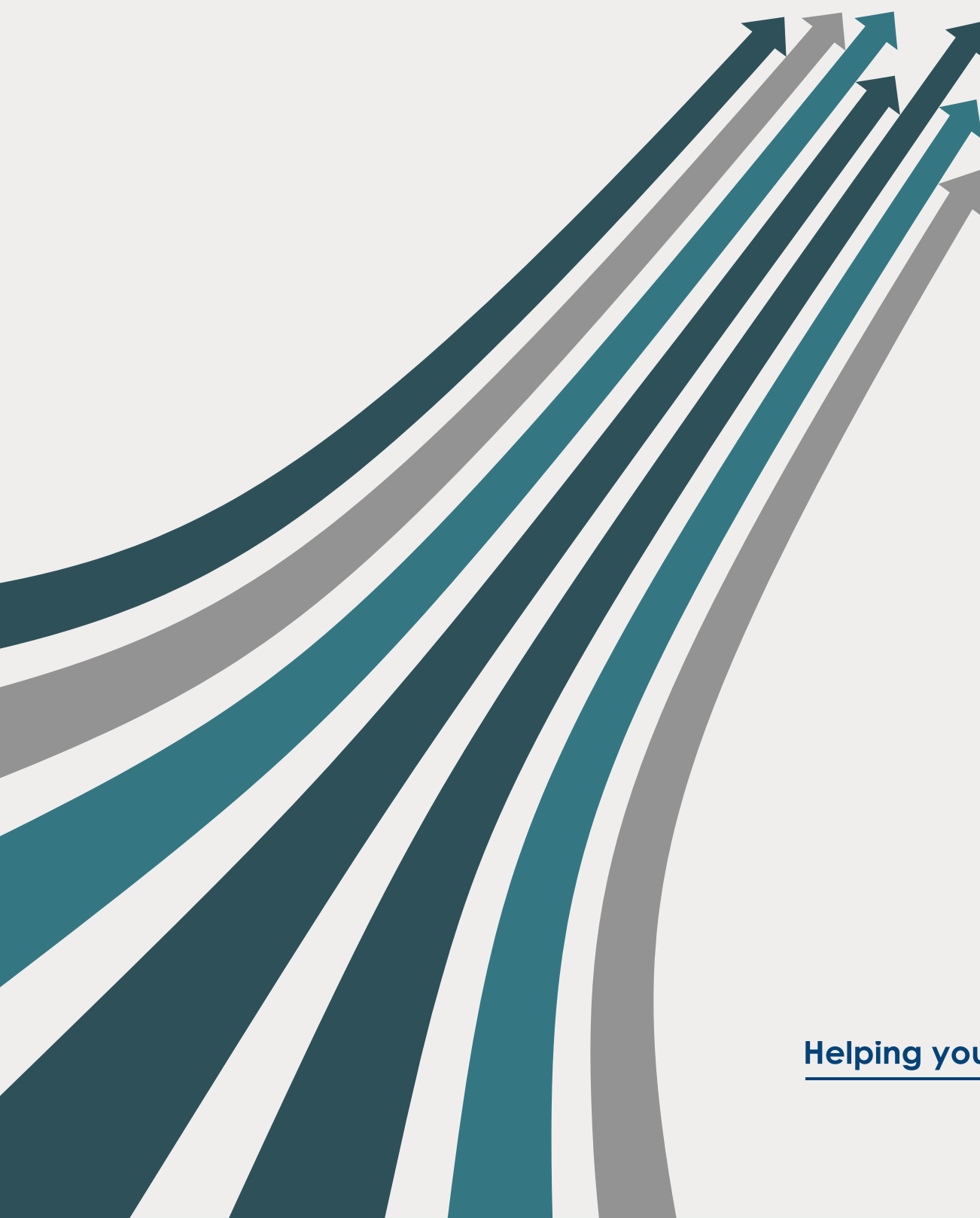
We have prepared this report for your use within the trust. It is part of our continuing communication of audit matters with those charged with the governance of the trust and, accordingly, is addressed to the Board. It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

### Acknowledgement

We have received full co-operation from all Light Hall School staff. We wish to thank in particular Mark Firmstone and the entire Light Hall School team for the helpfulness and co-operation during the course of the audit process.

Section 02

# Audit independence



Helping you prosper

## 02 Audit independence

Under current UK Auditing and 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.

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. This document considers such matters in the context of our audit for the year ended 31 August 2023.

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**We confirm the following:**

We have not carried out any other significant advisory or taxation work in the year ended 31 August 2023.

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We have not identified any potential issues in respect of:

- i) personal relationships with the trust;
- ii) gifts or hospitality received from either trust or its senior management or directors;
- iii) contingent fee arrangements

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The lead audit engagement partner has not acted for more than ten years and therefore is not required to be “rotated”

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In addition to performing the statutory audit, we also provide the following non-audit services:

Non-audit service provided	Safeguards in place to ensure our independence
<p><b>Preparation of the statutory financial statements</b></p>	<p>The preparation of the financial statements from your own draft accounts is largely a mechanical function to present the results in the necessary format required by the Annual Accounts Direction. Any adjustments required have been made following approval, and are listed in Appendix II to this report. We are able to treat your board of trustees, as a body, as informed management. Furthermore, an independent UHY Hacker Young reviewer, who is not otherwise involved in the audit process, has carried out a review of all journal adjustments and the financial statements.</p>
<p><b>Certification of the Teachers' Pension End of Year Certificates ("EOYC")</b></p>	<p>The certification of the Teachers' Pension EOYC does not affect our audit independence.</p>
<p><b>Completion of the Accounts Return and providing an assurance thereon;</b></p>	<p>The completion of the Accounts Return is largely an exercise involving the extraction of relevant items from the financial statements and supporting accounting records and the provision of an assurance report confirming that the Return has been completed consistently with the financial statements and other supporting records. This is not considered to affect our audit independence.</p>

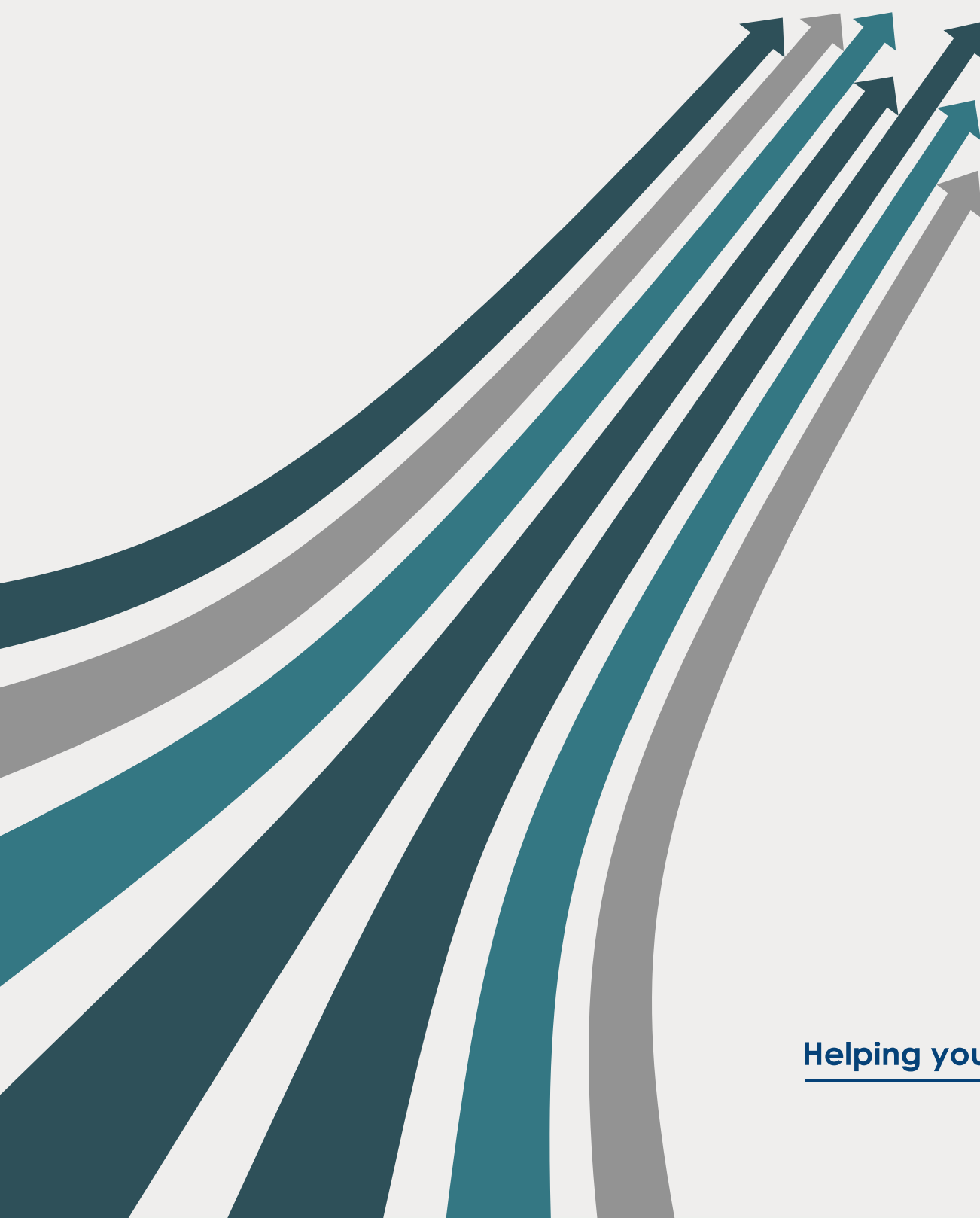
**We therefore confirm that, in our professional judgement, at the date of this report:**

UHY Hacker Young LLP is independent within the meaning of the applicable regulatory and professional requirements

The objectivity of the audit engagement partner and audit staff is not impaired

We are able to express an objective opinion on the financial statements

# Audit status





### 03 Audit status

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

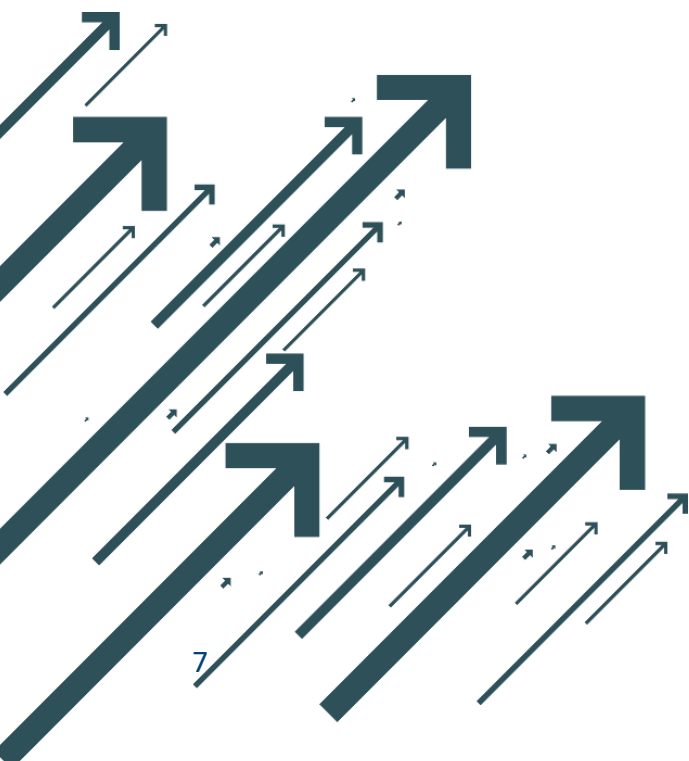
The audit was planned and conducted to concentrate on the high risk areas in the financial statements, as noted in our Audit Service Plan. The key audit issues arising in these areas are expanded on in the sections below.

The systems for income, costs, overheads, assets and payroll were documented and the controls over these systems evaluated. Using these assessments, we designed and conducted detailed tests of transactions and balances. 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.

There have been no limitations in the scope of our audit work completed to date. There are, however, at the time of writing some outstanding unresolved audit matters which are set out below which may or may not have an impact on our audit opinion on the trust's financial statements:

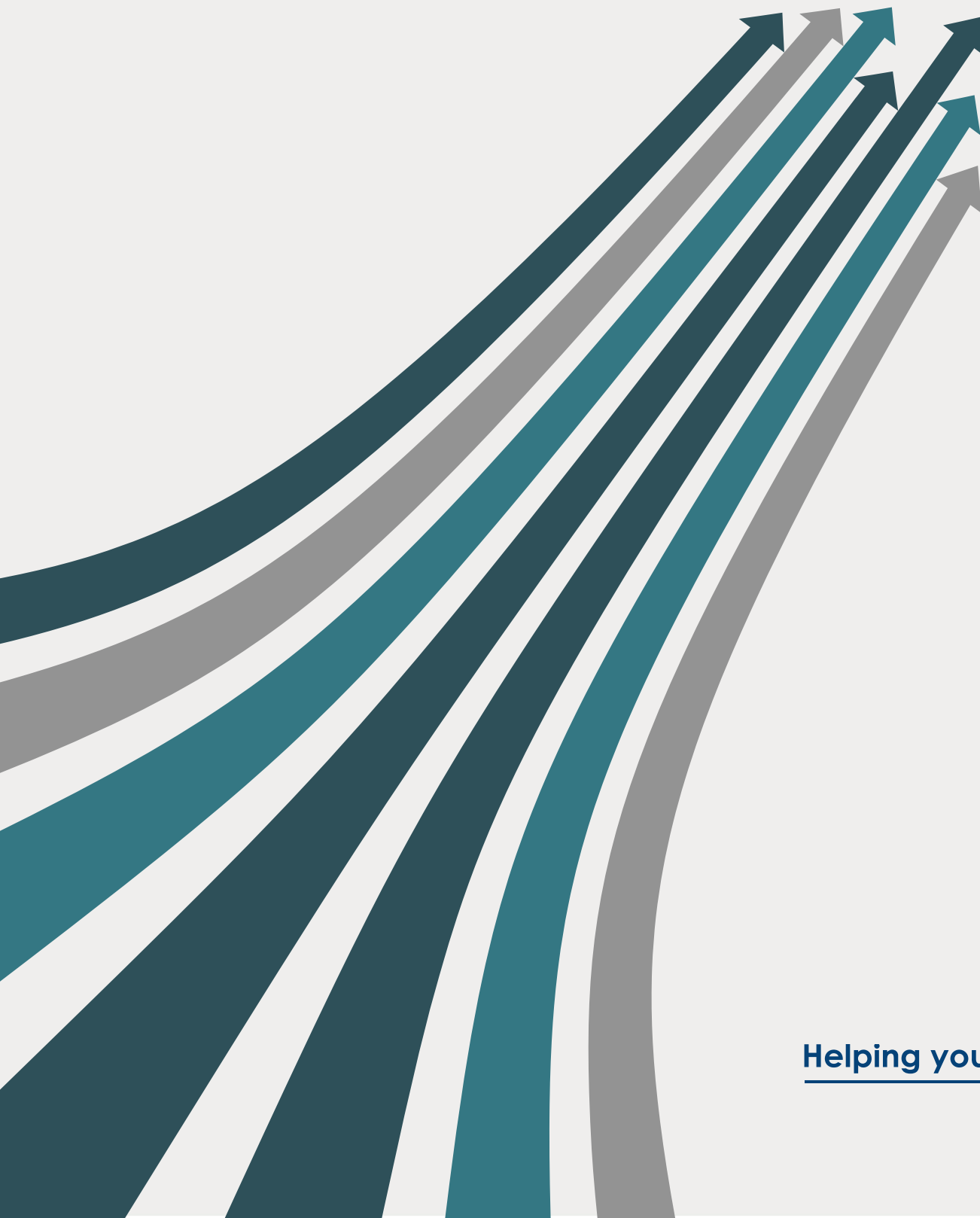
- Final review and approval by you of the financial statements
- Agreement of the financial statements, including the Trustees' Annual Report, to the latest draft
- Subsequent events review to the date of signing the financial statements, including review of latest minutes and management accounts
- Receipt of signed letter of audit representations

We expect to be in a position to sign our audit report as soon as practicable after clearing the outstanding matters above. The timetable for the completion and release of the financial statements and this report to the ESFA will be discussed with management.



Section 04

# Audit scope and other communications



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## 04 Audit scope and other communications

### Audit scope

Our terms of engagement are set out in our letter of engagement which sets out our audit responsibilities and their limitations and the responsibilities of the trustees in relation to the financial statements.

### Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process.

It applies to monetary misstatements and also to disclosure requirements in compliance with the accountancy framework and applicable law.

	Amount (£'000s)	Qualitative factors considered
Materiality for the trust's financial statements	£77k	Income is the most appropriate benchmark as main KPI for the trust. We have used a 1% benchmark
Materiality for specific transactions, balances or disclosures	£Nil	Example: Lower materiality considered for related party transactions and directors remuneration. There is no quantitative limit set for these transactions as they are qualitatively material.

### Changes to auditing standards

The International Audit and Assurance Standards Board (IAASB) approved major changes to ISA 315 in September 2019. The changes are effective for audits of financial statements for periods beginning on or after 15 December 2021. The effects of the revisions are far-reaching and require firms of all sizes to revise their approach to risk assessments.

### Changes in accounting policies

No significant changes in accounting policies have been made during the course of the year.

### Audit, accounting and fraud issues

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

### Consideration of fraud

We have discussed fraud with the Operations Director. It was confirmed that:

- there have been no instances of fraud during the year; and
- those charged with governance of the company consider there to be a low risk of fraud.

During the course of our work we found no evidence of fraud and corruption. We must emphasise, however, that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

During our limited scope assurance engagement on regularity we did not identify any instances where the trust has not been compliant with the Academy Trust Handbook 2022 (ATH).

## **Related parties**

We are not aware of any related parties or related party transactions which have not been disclosed in the financial statements.

## **Laws and regulations**

We are not aware of any significant incidences of non-compliance with laws and regulations during the year.

## **Confirmation request from third parties**

Confirmations have been requested and received for all bank accounts.

## **Disclosures**

A review of disclosures has been performed as part of our review of the accounts with necessary amendments being processed.

## **Recommendations for improvements in controls**

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. Please see the relevant sections below for further details.

## **Audit 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 by us. 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.

During the course of the audit, adjustments were necessary in order to facilitate the preparation of the statutory financial statements, consisting of fundamental underlying transactions together with matters of presentation for statutory purposes.

A schedule of audit adjustments has been provided to you for approval. The nature of the main adjustments included the following. These are noted on Appendix II.

## Unadjusted errors

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.

A schedule of unadjusted errors for each undertaking has been provided to you in Appendix II. The letter of representation states that the individual amounts and aggregate total is immaterial and accordingly, no adjustment is required.

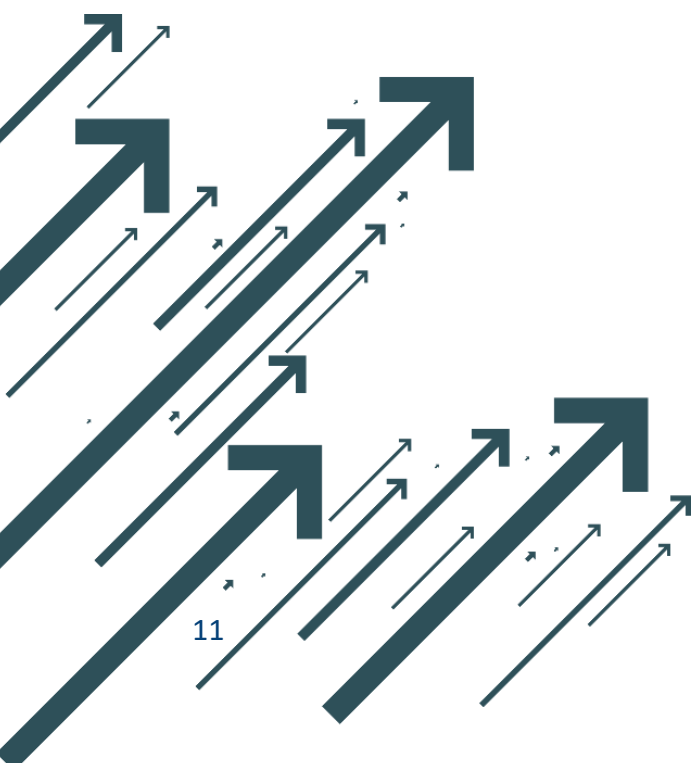
In assessing the key areas of audit judgement, we have had full regard to our assessed level of materiality. A final materiality calculation will be undertaken prior to finalisation of the accounts.

## Representation letter

A draft of the proposed letter of representation is attached separately. We draw your attention to the significant representations, judgements and intentions.

## Subsequent events

Our audit procedures and discussions with management carried out to date have not identified any significant post balance sheet events, either adjusting or non-adjusting events. This matter will be discussed further with the audit committee. We will complete our audit procedures in this area at the point of approval of the financial statements, at which time we will require suitable representations from the directors.



Section 05

# Going concern



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## 06 Going concern

### Requirements

The trustees need to give consideration to the level of reserves maintained, current cash balances and 1-3 year forecasts, and consider going concern for the period to 31 December 2024, being at least 12 months from the approval of the accounts and ensure they agree with the assessment.

The trustees need to take into account the current high inflationary environment and the possible continuing impact on cash flows and any inherent significant uncertainties should be discussed in the financial statements.

### Management's assessment

Management were to evaluate whether the trust is trading as a going concern.

Management was required to provide a cash flow projections to at least December 2024 which confirmed their assessment of the going concern principle.

The finance team have confirmed that they believe the academy'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's needs.

### Our work on going concern

We have reviewed the financial forecasts and the recent management accounts and budgets. We have assessed these in line with the confirmed pupil numbers and funding statements, and the results for the current year and checked that the assumptions made were reasonable and that the calculations were accurate.

### Conclusion

Our review supports the trustees' opinion that the going concern principle is appropriate with no material uncertainties.

Section 06

# Further audit requirements

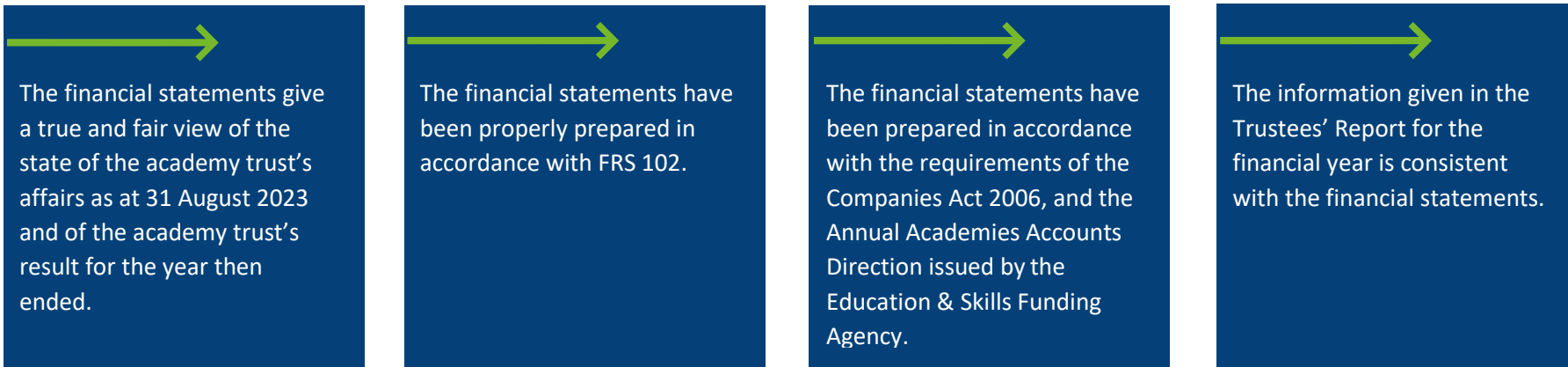


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## 06 Further audit requirements

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



We are also required to report on whether:



## 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 risks, 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 adequate 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 the Education & Skills Funding Agency ("ESFA"), considering whether the expenditure disbursed and the income received by the trust during the year ended 31 August 2023 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 the trust, including your Memorandum and Articles of Association, your Funding Agreements, the Academies Trust Handbook for the relevant period, the Academies Accounts Direction 2022 to 2023, the Charities Act 2011 and the Companies Act 2006.

Our approach was 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 they may sign the Regularity Report.

Section 07

# Significant risks and other matters identified in our audit



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## 07 Significant and other matters identified in our audit

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

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<b>International Standards on Auditing require us to consider the following for audit risks:</b>	Whether there is a risk of fraud
	Whether audit risks are related to recent significant economic, accounting or other developments and, therefore, requires specific attention
	The complexity of transactions
	Whether the risks involves significant transactions with related parties
	The degree of subjectivity in the measurement of financial information related to the risks, especially those measurements involving a wide range of measurement uncertainty
	Whether the risks involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

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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:

Risk area	Explanation of the risk	Audit work performed	Conclusion
<b>Revenue recognition</b> <b>(significant risk)</b>	<p>There is an inherent risk in all organisations in relation to revenue recognition, i.e. that income may be accounted for in an incorrect period or on an inappropriate basis. 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 may also be management judgement in the classification of income between restricted and unrestricted funds.</p>	<p>We documented the income systems and carried out 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 Board and Committee 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 have reviewed relevant correspondence to ensure that grant income and expenditure has been recognised in line with the grant agreements and the Charities SORP.</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 audit testing and sample based checks including on our work on ESFA and non-ESFA income.</p> <p>Discussions with Management identified that the expected £35k clawback of the ESFA's National Tutoring had not been posted into the 2022/23 accounts. This has been adjusted in the financial statements.</p> <p>See current year recommendation 2 for further details.</p>



Risk area	Explanation of the risk	Audit work performed	Conclusion
<p><b>Management override of controls (significant risk)</b></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>ISA (UK) 240 requires that the risk of management override of controls should be considered to be a significant risk for all audit engagements.</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>Our audit considers this risk and we adapt our procedures accordingly. We have:</p> <ul style="list-style-type: none"> <li>• Updated our documentation around the posting of journals and formulation of key estimates and assessed the design and implementation of those controls.</li> <li>• Assessed and challenged accounting estimates, judgements and decisions made by management.</li> <li>• Using our data analytics software, tested a sample of journal entries, adjustments and accounting estimates for bias that could result in material misstatements.</li> <li>• Review significant transactions to ensure they were in the normal course of business.</li> </ul> <p>During our audit, we considered the possibility of manipulation of the financial results, for example through the use of journals or management estimates, such as provisions and accruals.</p>	<p>No significant issues arose during our audit testing and sample based checks including on our work on ESFA and non-ESFA income.</p> <p>We found no indication of management bias or significant transactions outside the normal course of business.</p>



Risk area	Explanation of the risk	Audit work performed	Conclusion
<b>Valuation and disclosure of the LGPS deficits and related disclosures required under FRS 102</b>	<p>The fair value of the trust's share of the LGPS pension assets and liabilities will need to be included in the financial statements. There is a risk that this will not be recorded and accounted for correctly due to the complexities of the FRS 102 requirements.</p> <p>Management do not have the appropriate expertise to value the pension liability and, therefore, a valuation needs to be obtained from the local authority which has arranged for professional valuations from actuaries.</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>We have obtained the actuarial valuations and have reviewed the assumptions applied for reasonableness and considered the assumptions in comparison with those utilised by other academies.</p> <p>We have reviewed the documentation from the actuary and ensured that the assumptions therein are valid and reasonable.</p> <p>We ensured that the correct provision has been made at the end of the year and that all movements and disclosures have been disclosed correctly in the financial statements.</p>	<p>The basis of the pension liability appears reasonable, and is in line with that used by other academies.</p> <p>The valuation also includes the updated mortality assumptions.</p>



Risk area	Explanation of the risk	Audit work performed	Conclusion
<p><b>Regularity and propriety of income and expenditure</b></p>	<p>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 by Parliament, and whether the financial transactions conform to the authorities which govern them.</p> <p>We are required to provide an opinion on regularity and, during the course of the audit, we will need to carry out additional work to understand and document how the trust and, in particular, the accounting officer ensures that funds are used for the approved purposes.</p> <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>We reviewed the systems to ensure that there are financial controls in place that comply with guidelines in the Academies Accounts Direction.</p> <p>We undertook an assessment of the risk of material irregularity and impropriety across all of the academy trust's activities.</p> <p>We also reviewed and assessed the adequacy of the procedures and policies in place to ensure that they meet the requirements set out by government. This included appropriate delegations and risk assessments.</p> <p>We discussed with the trustees and trust finance staff whether they are aware of any cases of fraud occurring during the year.</p> <p>We checked a sample of transactions, including purchases and salary payments, to source documentation to ensure expenditure was incurred for a valid reason and does not indicate any regularity issues.</p> <p>Our audit testing involved sampling income balances and the associated funding agreements, verifying these to supporting documentation to ensure income has been recognised in the correct period.</p>	<p>We have not been informed of any material control weaknesses or irregularity.</p> <p>Based on our review of the regularity checklist and ATH questionnaire, 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>We have not noted any instances of non-compliance with the ATH.</p>



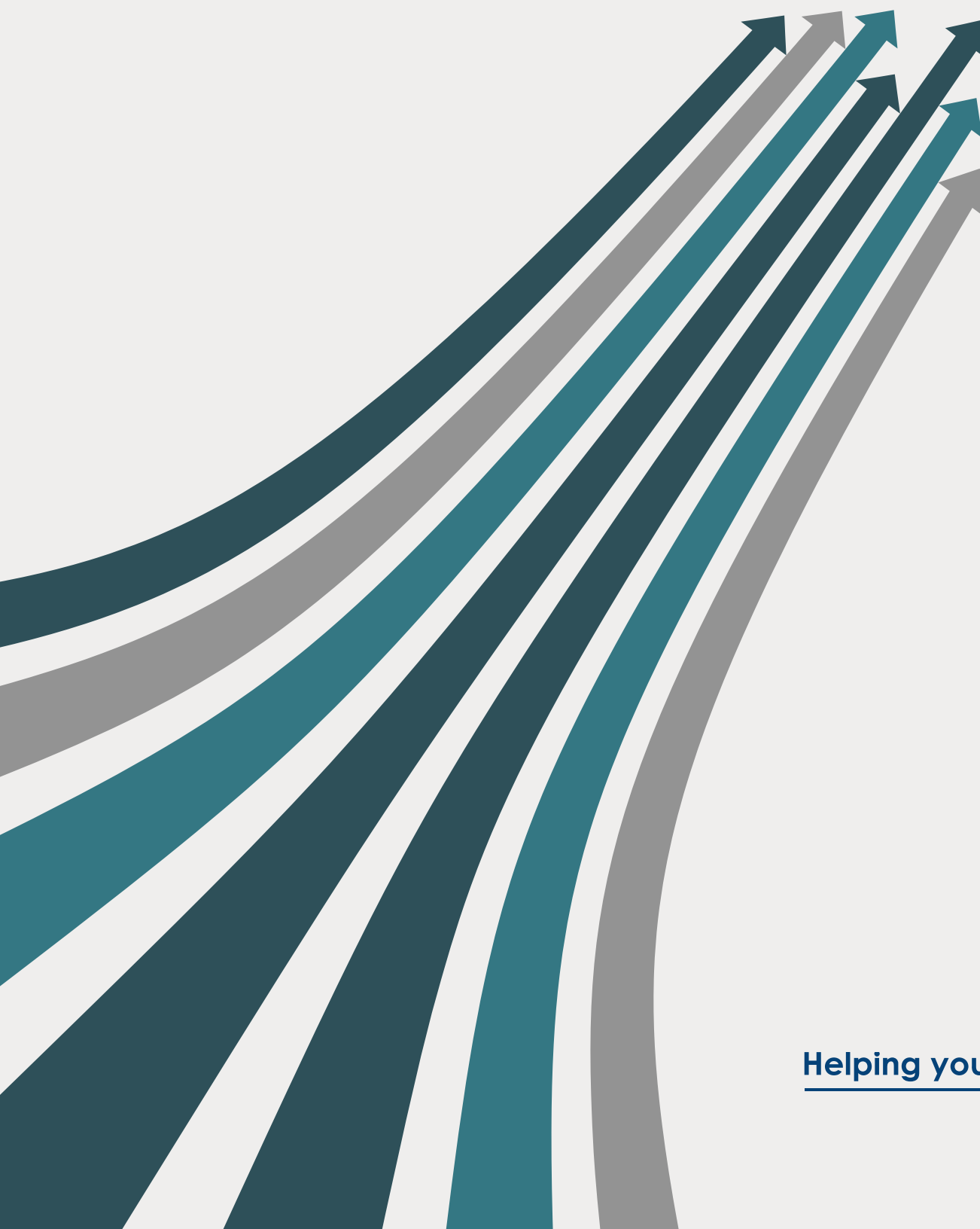
Risk area	Explanation of the risk	Audit work performed	Conclusion
<b>Related and connected parties</b>	<p>We are required to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in accordance with the requirements of the Companies Act 2006 and Academies Accounts Direction. In particular, the Accounts Direction requires that:</p> <ul style="list-style-type: none"> <li>• declarations of business interests have been completed by those in a position to influence the academy trust, including key staff;</li> <li>• contracts with connected parties have been procured following the academy trust's procurement and tendering process;</li> <li>• 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;</li> <li>• the academy has requested, under the open book arrangement, a clear demonstration that the charges do not exceed the cost of supply;</li> <li>• 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; and</li> <li>• no connected party gains from their position by receiving payments under terms that are preferential.</li> </ul>	<p>We discussed with management and reviewed trustee and other senior management declarations to ensure there are no 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.</p>	<p>No 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>

Other matter	Explanation of the risk	Audit work performed	Conclusion
<b>Capitalisation of property improvements - treatment and depreciation</b>	<p>There is a risk that capital works may be expensed instead of capitalised in line with the trust’s capitalisation policy.</p>	<p>We reviewed expenditure in the year and documentation of projects undertaken to ensure that the expenditure is complete and that where necessary, accruals have been made at the year-end.</p> <p>We ensured that the capital grant income was recognised correctly and that the costs of improvements were capitalised.</p> <p>We have recalculated depreciation and ensured the accounting policies have been correctly applied.</p>	<p>We are satisfied that capital items and depreciation have been accounted for correctly.</p>

Other matter	Explanation of the risk	Audit work performed	Conclusion
<b>Completeness of liabilities and accruals</b>	<p>Owing to the timing of the year end, and the reduced operations of the trust and schools during that period, there is a risk that expenditure is not recorded in the correct period where goods and services have been supplied in the year but where an invoice has not yet been received.</p>	<p>We have performed a detailed review to ensure that proper cut-off procedures are in place and that a detailed search for unrecorded liabilities and costs has been carried out.</p> <p>We have performed cut-off testing on expenses and a search for unrecorded liabilities to ensure that items have been accounted for in the correct accounting period.</p>	<p>Our work has confirmed that costs have, in all material respects, been recognised in the correct period.</p>

Section 08

# Status of issues raised in prior year



## 08 Recommendations for the prior year

We are required to report to you, in writing, deficiencies in internal control that we have identified during the audit.

International Standard on Auditing (UK) 265, *Communicating deficiencies in internal control to those charged with governance and management*, (ISA (UK) 265) requires us to report separately where we identify missing or ineffective controls which, in our judgement, are of sufficient importance to bring to the attention of those charged with governance.

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 controls 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 deficiencies in internal control during the 2023 audit. We did note some areas where improvements could be made and these are discussed below. We have identified the following items that we consider in internal control.**



These are areas that the Board may wish to consider as part of their annual review of internal controls and in aiming to meet best practice guidelines.



These recommendations should be considered by the Board to ensure that they are in compliance with the ESFA guidelines or to enhance efficiencies.



These recommendations should be considered by the Board as a matter of urgency and steps taken to implement appropriate measures to address the deficiency.

## 08 Status of issues raised in prior year

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

No	Issues raised in prior year	Priority prior year	Solution suggested in prior year	Follow up comments / further action required	Priority now
1	<p><b>Internal Scrutiny Programme</b></p> <p>Section 3 of the ATH 2021 states that: ‘Internal scrutiny must focus on:</p> <ul style="list-style-type: none"> <li>evaluating the suitability of, and level of compliance with, financial and non-financial controls;</li> <li>ensuring all categories of risk are being adequately identified, reported and managed.</li> </ul> <p>The trust must identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly.’</p> <p>For the past 2 years, the work carried out by the internal auditor was primarily on financial controls.</p> <p>An area which is highlighted as a significant risk on the risk register is IT. Although IT support is provided by an external company (Babble), an internal control review may identify areas of weakness which can be improved.</p>	L	<p><b>It is recommended that</b> the trust considers carrying out the 2023 internal control review on a non-financial area, such as IT.</p> <p><b>Management Response</b> Accepted – An independent Internal Control Review of the school’s IT provision with be conducted before August 2023 by a qualified IT Audit provider.</p>	Resolved	N/A

No	Issues raised in prior year	Priority prior year	Solution suggested in prior year	Follow up comments / further action required	Priority now
2	<p><b>Website Disclosure</b> Para 2.32 of the ATH 2021 states that:</p> <p>‘The trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers’ pension contributions, other taxable benefits and termination payments. Trusts may wish to display this information in a tabular form showing in each column salary, pension etc.’</p> <p>The academy website currently states that:</p> <p>‘Light Hall do not have any employees receiving benefits over £100,000 per annum’</p> <p>However, when including employers pension contributions as a benefit, as noted above, the Accounting Officer’s benefits exceed £100k.</p>	L	<p><b>It is recommended that</b> the academy website is updated to reflect the ESFA requirement.</p> <p><b>Management Response</b> Accepted – the Accounting Officer’s benefits to be published on the school website in line with the ATH 2021. Completion by 31.12.22</p>	Resolved	N/A

Section 09

# Recommendations for the current year



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## 09 Recommendations for the current year

No	Risk	Area	Observation	Recommendation	Management Response
1	L	Bank Detail Change Reports - BACS	<p>The Civica finance system is able to produce a report which details changes to supplier bank information, however this is not pro-actively monitored.</p> <p>Currently checks are carried out only when a supplier informs the academy of changes to bank details, or on the set up of a new supplier. The infrequent use of the report, increases the risk that an erroneous change to bank details are not identified.</p> <p>The changing of bank details is one of the main elements of fraud; which can include both internal staff and external suppliers sending 'scam' invoices.</p> <p>The audit review did not identify any issues in the changing of bank sort codes.</p>	<p><b>It is recommended that</b> a sample of bank detail changes are taken from Civica and checked to backing documentation on a monthly basis. If no changes have occurred, the report should still be extracted and signed.</p> <p>These checks should be carried out by a member of staff who does not have access to change bank details and retained for audit purposes.</p>	<p>Accepted – Bank Detail Changes Report to be run as part of month end routines and checked by a member of staff who does not have access to change bank details. Report to be retained for audit purposes.</p>
2	L	Grant Monitoring	<p>During the audit, it was identified that the £35k to be repaid to the ESFA of the 2022/23 National Tutoring Programme grant, had not been included in the draft 2022/23 accounts. As a result, an audit adjustment has been processed which reduces the surplus by £35k.</p> <p>This adjustment is included within Appendix II Summary of Misstatements.</p>	<p><b>It is recommended that</b> where funds are expected to be returned to the ESFA, adjustments are processed in the finance system.</p>	<p>Accepted – Funds expected to be returned to the ESFA will be posted to the balance sheet in the finance system.</p>

## Other audit findings

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

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;

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significant difficulties, if any, encountered during the audit; and/or

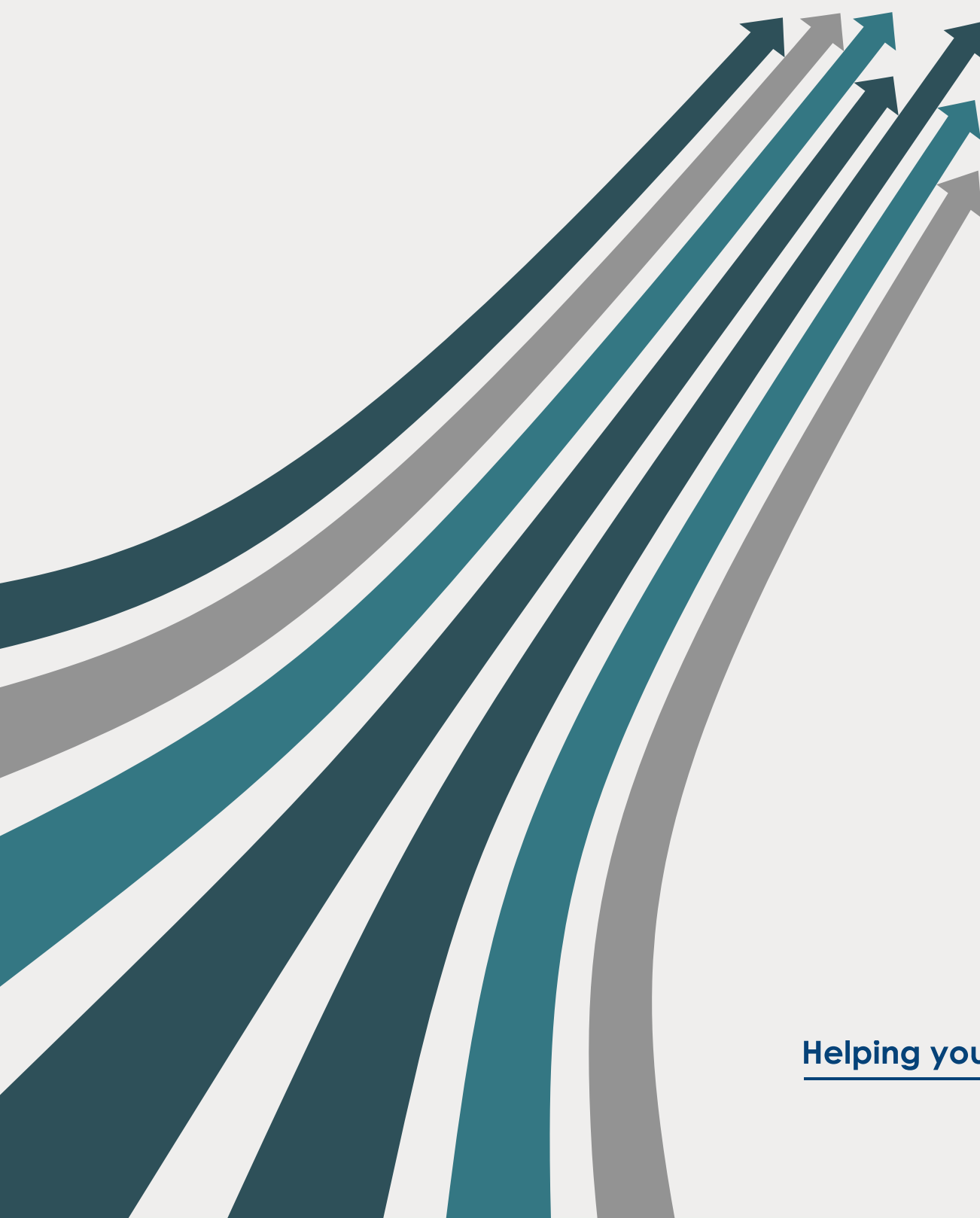
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other matters, if any, arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process are communicated to those charged with governance.

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Appendix I

# Summary of financial performance and position



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## Financial performance

Based on the audited financial statements, **the academy trust's total reserves increased by an amount of £528k** (2022: increased by £3,392k) 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 academy trust's "operational" surplus on revenue funds for the year was £18k** (2022: £534k surplus), as reconciled below.

		2023 (£000s)	2022 (£000s)
Overall net movement in funds for the year per SOFA		528	3,392
Decrease / (increase) attributable to fixed asset fund	See A	480	506
LGPS actuarial (gain)/loss	See B	(1,201)	(3,680)
LGPS service and interest costs	See B	203	316
<b>Movement in revenue funds during the year</b>		<b>10</b>	<b>534</b>
Add: Transfers from revenue to capital to fund fixed asset additions		8	-
<b>Operational surplus /(deficit) on revenue funds before transfers to capital</b>		<b>18</b>	<b>534</b>

**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.

The Balance Sheet summarises the financial position of the academy trust at 31 August 2023 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:

		2023 (£000s)	2022 (£000s)
<b>Total funds</b>		22,700	22,172
<b>Split between:</b>			
<b>Revenue income funds</b>	Restricted funds	619	726
	Unrestricted funds	684	567
<b>(1) Total revenue income funds</b>		1,303	1,293
<b>(2) LGPS pension reserve</b>		-	(998)
<b>Restricted fixed asset funds</b>	Net book value of fixed asset	21,395	21,907
	Fixed asset loan	(35)	(46)
	Unspent capital grant money	37	16
<b>(3) Total fixed asset funds</b>		21,397	21,877

Appendix II

# Summary of misstatements



### Audit adjustments agreed with management

	£'000	£'000
<b>Deficit per client trial balance</b>		<b>(307)</b>
Recognise FRS102 Charge	(203)	
Recognise actuarial gain on pension	1,201	
Capital related adjustments	(141)	
Adjust accruals/deferred income	11	
Clawback of National Tutoring Programme grant	(35)	
Other trivial adjustments and rounding	2	
<b>Total impact of adjustments</b>		<b>835</b>
<b>Increase in funds per audited financial statements</b>		<b>528</b>

### Unadjusted items

	£'000	£'000
<b>Increase in funds per audited financial statements</b>		<b>528</b>
Recovery premium clawback	(5)	
Capitalise items within revenue	17	
Assets with negative net book value	3	
<b>Total impact of adjustments</b>		<b>15</b>
<b>Increase in funds if all audit adjustments processed</b>		<b>543</b>

Appendix III

# Emerging and topical issues for academies



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## 2023 Academy Trust Handbook (ATH)

The 2023 ATH is already active, and we produced a [summary](#) of the key changes earlier this year. Two of the main changes to note are briefly summarised below:

- **Changes to related party approval thresholds.** Trusts now only need to seek approval for transactions above £40k (up from £20k).

The cumulative value element previously included has also been removed, so now only individual transactions need to be considered.

Whilst prior approval may not be required, trusts are reminded that they still need to report all contracts and other agreements entered into with related parties in advance of the contract or agreement commencing or being renewed.

- **Relaxation of rules over circulation of management accounts.** Although trusts are still required to prepare monthly management accounts, and share these with the Chair of Trustees, they are no longer explicitly required to share them with other trustees at least 6 times per annum. In our view this does, however, remain best practice.

### Schedule of 'musts'

The list of 'must' requirements has now been separated from the Handbook itself, and the ESFA have published an Excel list of 'must' requirements in an interactive format which trusts can download and self-complete. This list is available directly [here](#).

### Estate management

The ATH also clarifies the importance of the management of a trust's estate and the DfE's expectations in this area.

The DfE "[Good estate management for schools](#)" guidance is now more important than ever. This covers the fundamentals of good estate management, and then considers:

- strategic estate management
- how to plan and organise your estate resources
- advice on the information trusts should hold about their estates and how to use this effectively
- performance management and sustainability
- maintaining the estate
- health & safety
- managing an estate project

- estate management competency framework
- various tools and checklists (including [Top 10 estates checks for boards](#), a [Compliance tracker](#), and a simple [self-assessment tool](#) which can be a great place to start.

### Teachers' Pension employer contribution rates

The TPS employer rate last changed in September 2019, rising by 43% from 16.48% of salary to 23.6%. With significant deficits in the TPS, are we set for another significant rise from April 2024? It's likely that TP will not confirm the new rate until at least late 2023, but trusts will be hoping any rise is covered by additional funding.

### GAG pooling

The 2023 ATH introduced some changes simplifying the position over GAG pooling.

Pooling continues to be on the increase in MATs, but the traditional top slice model remains the more popular option for now.

If your MAT has not yet considered the benefits of pooling then we recommend you do look at this, since GAG pooling gives MATs the freedom to allocate their funds how they best see fit, promoting the ethos of one trust looking after all pupils' interests.

### DfE guidance on commissioning high-quality trusts

In July the DfE published its [latest guidance](#) explaining how they take decisions about the creation, consolidation and growth of academy trusts.

With larger, stronger trusts still very much the desired target, the guide sets out why identifying capable trusts with the capacity for growth are key to their proposals. In the guide, a strong trust is defined under 5 pillars:

- high quality and inclusive education
- school improvement
- workforce
- finance and operations
- governance and leadership

The guidance states that quality of education will always be the primary concern and that decisions are informed by data rather than determined by data.