

Audit findings report

for the year ended 31 August 2022 for

**Christ Church Church of England
Junior School, Ramsgate**

Issued by: Allan Hickie, Audit Partner

Date of issue: 11 November 2022



Contents

1.	Introduction	3
2.	Overview	4
3.	Independence	7
4.	Audit scope and objectives	8
5.	Overall audit strategy and approach to significant risks	9
6.	Status of issues raised in prior year	15
7.	Recommendations for the current year	19

Appendices

I.	Agreed accounting adjustments	22
II.	Summary of financial performance and position	23
III.	Unadjusted audit differences	26
IV.	Basis of risk / priority ratings	27
V.	Emerging and topical issues in the academy sector	28



1. Introduction

This report has been prepared for the trustees of Christ Church Church of England Junior School, Ramsgate to bring attention to those charged with governance various matters arising from the audit of the academy trust for the year ended 31 August 2022.

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 Christ Church Church of England Junior School, Ramsgate and is intended only for use by them, and the staff of the academy trust. 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 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 follow matters are outstanding at the date of this report:

- Final review and approval by you of the final financial statements;
- 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 not identify any instances where the trust has not been compliant with the Academies Financial Handbook.

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.

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. Details of these are given in Appendix III.

We are required to request that you review these adjustments and consider amending the financial statements accordingly, and to confirm your reasons for not making the adjustments, if this is your decision.

Going concern

The trustees need to give consideration to the level of reserves maintained, and consider going concern for the period to 31 December 2023, 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.

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 2022 and of the academy trust's result for the year then ended.

The financial statements have been properly prepared in accordance with UK GAAP, including 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 and 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 and Skills Funding Agency ("ESFA"), considering whether the expenditure disbursed and the income received by the trust during the period 1 September 2021 to 31 August 2022 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 Academy Trust Handbook and Accounts Direction in force for the year, 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 he may sign the Regularity report.



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;

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

Significant 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 your finance staff whether they are aware of any cases of fraud occurring during the year.</p> <p>We also reviewed FGB and Finance 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 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 identified any significant issues with income recognition.</p>



5. Overall audit strategy

Significant risk	Explanation of the risk	Audit work performed	Conclusion
Management override (mandatory risk)	<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>All items tested and discussed with management were deemed appropriate.</p>
Valuation and disclosure of the LGPS deficit and related disclosures required under FRS 102	<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

Significant 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 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 Academy Trust 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 a regularity checklist and questionnaire asking for confirmation of compliance with the ATH 'must' requirements. The answers to these 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 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>



5. Overall audit strategy



Significant 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 trust has requested, under the open book arrangement, a clear demonstration that the charges do not exceed the cost of supply; • governors who provide consultancy services to the academy trust 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 trust's accounts if the work was performed within normal working hours. • relevant new related party contracts of other agreements entered into 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.</p>	<p>Based on the work undertaken, we have not identified concerns over the completeness of related party transaction disclosures.</p> <p>We will also obtain written representations from you, asking the Board and to confirm their satisfaction with the completeness of the disclosures made.</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.

See Appendix IV for an explanation of the priority (risk) rating.

	Issue raised in prior year	Priority in 20/21	Solution suggested in prior year	Follow up comments / further action required	Priority now
1.	<p>Internal scrutiny <i>Weaknesses in this area were first raised in the 2018/19 audit.</i></p> <p>One short 2-hour visit was conducted by the lead finance trustee in 2020/21, with some simple checks performed, predominantly on bank reconciliations and control accounts.</p> <p>The short nature of the visit means the level of review here is likely to have been limited.</p>	 Low	<p>Whilst Christ Church is a small academy, the Handbook does not differentiate for this in any way and the same requirements apply to all trusts, regardless of size.</p> <p>The trust must ensure that a suitable programme of internal scrutiny checks are put in place that delivers the required on-going assurance over the operation of systems and controls throughout the year.</p> <p>To ensure compliance with the Handbook a more regular programme of work should be put in place, and whilst we appreciate there would be a cost implication we recommend you consider outsourcing this function to a firm of auditors (UHY cannot fulfil the role due to ethical considerations).</p> <p>Management response 2020/21: we are comfortable that current approach is sufficient for our needs, but will review the arrangements in due course.</p>	<p>No visits were able to be conducted during 2021/22. As a result our recommendation in 20/21 remains, but with no visits at all during the past year we have increased the priority rating.</p> <p>Management response 2021/22: We are in the process of recruiting an external team to deliver timely internal scrutiny reports throughout the year.</p>	 High





6. Status of audit issues raised in prior year



	Issue raised in prior year	Priority in 20/21	Solution suggested in prior year	Follow up comments / further action required	Priority now
2.	<p>Fixed asset register <i>Weaknesses in this area were first raised in the 2019/20 audit.</i></p> <p>In 2020/21 whilst the fixed asset register was maintained by the finance assistant throughout the year, disposals were missing the correct postings and one addition had been capitalised on the register, but not posted to the fixed asset nominal ledger on the finance system.</p> <p>We also noted a trivial £32 difference between the computer equipment cost on the FA register and the finance system.</p>	 Low	<p>The register must be maintained and kept up to date and accurate throughout the year.</p> <p>The trivial difference between the fixed asset register and the finance system should be corrected during 2021/22.</p> <p>Management response 20/21: in future we will ensure the fixed asset register is kept up to date and agrees to the finance system.</p>	<p>The fixed asset register has been maintained by the finance team throughout the year, however formulas had either not been updated or provided for movements in the year such as additions.</p> <p>As a result, the depreciation charges for the year were not being picked up in some instances.</p> <p>It is recommended that care is taken with rolling forward and updating the register so that all movements in the year (additions, disposals, depreciation charges) are accounted for on the register.</p> <p>Management response 21/22: The CFO will reconcile the UHY fixed asset register to the capital additions + disposals throughout the year and at year end.</p>	 Low



6. Status of audit issues raised in prior year

	Issue raised in prior year	Priority in 20/21	Solution suggested in prior year	Follow up comments / further action required	Priority now
3.	<p>Website</p> <p>Two mains issues were noted with the website during the audit week;</p> <ul style="list-style-type: none"> - Published trustees' attendance records were for the prior year and had not been updated. - Trustees' details and business interests were not up to date, the information available was from April 2020 and therefore had not been updated for changes 2020/21. 	 Med	<p>The website should be kept up to date at all times and required trustees' information should be displayed on the website.</p> <p>Per ATH 2.50 it is a must requirement to keep governance arrangements up to date.</p> <p>Management response 20/21: Governor Tim Fox has taken on the website and is reviewing and will be doing regular checks.</p>	<p>No such issues were identified during the 2021/22 audit.</p>	Resolved
4.	<p>Companies House Information</p> <p>R Bath's resignation was not notified to Companies House until 28 days after the change, two weeks after the 14 deadline for notifying such changes as stated in the Academy Trust Handbook.</p>	 Low	<p>Any trustee changes must be notified within 14 days to ensure compliance with the Handbook.</p> <p>Whilst this a breach of a must requirement of the ATH we have used our discretion to grade this as Low since it was an isolated issue.</p> <p>Management response 20/21: Resignation letter was sent by post and was received in the holidays. In future Jo (clerk to governors) will advise Governors to call her or Neil if resigning or any changes during school holidays.</p>	<p>All trustee changes in the year were compliant with the 14 day rule.</p>	Resolved

6. Status of audit issues raised in prior year

	Issue raised in prior year	Priority in 20/21	Solution suggested in prior year	Follow up comments / further action required	Priority now
5.	<p>Accounting for material grants</p> <p>Covid catch up funding had been posted to the Other DFE/ESFA ledger on the system. Since the Accounts Direction now requires more detailed disclosure of all material grants, and for 2020-21 specifically required disclosure about Covid catch up premium and other funding, it was therefore necessary to strip this out for the necessary separate disclosure in the financial statements.</p>		<p>It is important that material grants are recorded separately to ensure they are easily identifiable. This will also help in the future when the Accounts Return that gets completed in January becomes more automated, which rely upon extracting information directly from a trust's finance system.</p> <p>You should also ensure that related costs are recorded</p> <p>Management response 20/21: Noted.</p>	<p>As per last year, reclassification of material grants was required during the audit work to ensure they are recorded separately.</p> <p>Therefore, the recommendation raised in the prior year stands.</p> <p>Management response 20/21: The CFO will set up codes to highlight the split between cost centres of grants received and expenditure.</p>	



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 comments



We also bring to your attention other deficiencies in internal controls together with any other issues that came to our attention during our work.

Please see Appendix IV for basis of risk ratings.

	Priority	Area	Observation and implication	Recommendations	Management response
1.	 Med	Circulation of monthly management accounts to other trustees	All trustees were not provided with the monthly management accounts at least 6 times during the 2021/22 year. Management accounts are circulated as part of the finance committee meetings, however only 5 of these meetings took place during 2021/22.	As per requirement 2.19 & 2.20 of the ATH, an academy trust is required to share management accounts with the chair of trustees monthly & with the other trustees six times a year. It is recommended that a control is put in place to ensure that all trustees receive monthly management accounts at least 6 times per annum.	The CFO will circulate the management reports and budget monitoring to all trustee members on a monthly basis.
2.	 Med	Declaration of business interests	Business interests declared on the academy trust's website were not fully complete when comparing to the disclosures within the related party questionnaires and personal appointments on Companies House. For example, Lesley Johnson's directorship at Canterbury Golf Club Limited has been correctly disclosed within the related party questionnaire, and as per Companies House, however this has not been reflected in the declaration of business interests published on the academy's website.	It is a requirement per the ATH for all trustees and members to fully disclose all business interests on the academy trust's website each year.	These were received just before the audit and will be uploaded at the beginning of November.



7. Recommendations for the current year

	Priority	Area	Observation and implication	Recommendations	Management response
3.	 Low	Fund accounting	You did not fully allocate expenditure on your system after restricted grant income, and therefore some assistance was required by us during the preparation of the financial statements to determine the closing fund positions on Other Government grants (02) and Pupil premium & other ESFA grants (03) restricted funds.	A significant proportion of the adjustments will always be salary allocations, but it is important, so that you leave a clear audit trail, that the necessary adjustments are processed on the finance system so that the necessary expenditure is reflected in your 02 and 03 funds.	The CFO will look into the split of restricted funds on a monthly basis to correct funds.
4.	 Low	Year-end schedules	The prepayments and accruals schedule provided to us at the start of our fieldwork was incomplete, with balances missing and the totals therefore not reconciling to the draft trial balance provided. The necessary corrections were subsequently made by UHY.	It is recommended that in future any year-end schedules are reconciled to the final draft trial balance prior to the audit fieldwork commencing.	The CFO will reconcile the prepayment spreadsheets totals to the ledger codes at year end.



Appendix I – Agreed accounting adjustments

A number of adjustments have been agreed with your key management:

	£	Effect on net income
Capital fixed asset additions identified per client	10,116	10,116
Depreciation charge	23,127	(23,127)
Increase debtors - trip income adj entered incorrectly	5,808	-
Increase deferred income in creditors	5,808	-
Reduction in electricity accrual	970	970
Staff insurance deferred income not posted to system	1,350	1,350
Understatement of GAG income - notional rates income	5,516	-
Understatement of rates expense - notional cost	5,516	-
Accrual for 21/22 Teachers' backdated pay rise	11,887	(11,887)
Accrual for UHY Accounts Return fee for 21-22	1,300	(1,300)
<i>Movement in LGPS liability in the year :</i>		
- actuarial gain	913,000	913,000
- finance costs and admin charges	112,000	(112,000)
Total effect of adjustments on net funds		<u><u>777,122</u></u>
<u>Reconciliation:</u>		
Total Income per FMS (revenue and capital)		1,344,468
Total Expenditure per FMS (all expenditure and salary codes excluding 6610-05, 6620-01, UNA-06)		(1,203,407)
Result per finance system on all funds		<u>141,061</u>
UHY year end accounting adjustments (see above)		777,122
Net movement in funds per SOFA		<u><u>918,183</u></u>



Appendix II – Summary of financial performance and position

Financial performance

Based on the audited financial statements, **the trust's total reserves increased by an amount of £918k** (2021: decreased by £70k) during the year. This total movement on funds is shown in the main statutory financial statements on the Statement of Financial Activities.

To reach the result on revenue funds it is necessary to exclude movements on tangible fixed assets and the LGPS defined benefit pension liability. **The trust's revenue funds increased by £20k during the year** (2021: increased by £60k). The operational result prior to any revenue to capital transfers is also shown:

		2022 (£000s)	2021 (£000s)	2020 (£000s)
Overall net movement in funds for the year per SOFA		918	(70)	(243)
Decrease / (increase) attributable to fixed asset fund	See A	(97)	(9)	11
LGPS actuarial (gain)/loss	See B	(913)	53	175
LGPS service and interest costs	See B	112	86	66
Movement in revenue funds during the year		20	60	8
Add: Transfers from revenue to capital		-	9	(1)
Operational surplus /(deficit) on revenue funds before transfers to capital		20	69	7

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. 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 2022 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:

		2022 (£000s)	2021 (£000s)
Total funds		465	(453)
Split between:			
Revenue income funds	Restricted funds	133	124
	Unrestricted funds	312	301
(1) Total revenue income funds		445	425
(2) LGPS pension reserve		(116)	(917)
Restricted fixed asset funds	Net book value of fixed asset	26	39
	Unspent capital grant money	110	-
(3) Total fixed asset funds		136	39



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.

Critical judgements and estimates. Note 2 of the financial statements explains any key judgements made by you during the preparation of the financial statements. For 2021/22 the key judgement is the acceptance of the standard assumptions proposed by the actuary when preparing their pension valuation report.

Benchmarking of key ratios

In early 2023 we will be preparing our 11th 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 2021/22 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 any such adjustments is included below.

This year there are no unadjusted audit misstatements since it has been agreed with you that all identified differences have been adjusted for and included in the final financial statements. These agreed adjustments are listed in Appendix I.



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 Academy Trust 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.



Appendix V – Emerging and topical issues for academies

2022 Academy Trust Handbook (ATH)

The 2022 ATH is already active, and we produced a [summary](#) of the key changes earlier this year. There were relatively few changes this time, but the updates are briefly summarised below:

- **Financial reporting.** The Handbook confirmed the permanent withdrawal of the Budget Forecast Return Outturn (BFRO) now that this has been incorporated into the main BFR.
- **Special payments.** Confirmation that prior approval of certain high level staff severance payments applies only to special payments. Para 5.10 of the Handbook separately continues to require trusts to obtain approval for any staff severance payments which include a non-contractual/non-statutory element of £50,000 or above.
- **Indemnities.** The Handbook confirms that trusts will be able to enter into indemnities which are in the normal course of business without seeking approval.

The ESFA expect academy trusts to maintain a contract register of known indemnity clauses with the necessary assessments.

- **Religious character.** The ATH has now extended the scope of 5.57, which confirms that the “at cost” requirements of the related party rules are automatically deemed to have been met for services associated with securing the trust’s religious character, from just dioceses to all religion authorities .

Consolidation of academy sector

The Government’s whitepaper published in March 2022 detailed their goal for all schools to be part of a “strong trust” by 2030 or be in the process of forming or joining one by then. A “strong trust” has been broadly defined as a trust that runs at least 10 schools, on the basis that trusts of this size have the appropriate governance arrangements and bring financial efficiencies to prove to be successful.

It is clear from this vision, and with over half of the country’s primary schools yet to convert, there is going to be a lot of expansion in the size of trusts over the next eight years, which will include the merger of many small trusts.

It is vital that any trust seeking to expand, or indeed any single academy or small trust exploring the possibility of merging with or into another trust, performs effective due diligence to ensure they are completely clear on the financial stability, culture and ethos of the other entity.

The importance of re-forecasting

With a constantly changing landscape in recent months, amid staffing cost rises and spiked energy costs, it is likely that budget forecasts approved by boards and submitted to the ESFA in July will already be out of date.

It is important that boards have up to date financial information to hand, and this is where re-forecasting can play a vital role. We would expect most trust boards to review and approved revised budgets for 2022/23 and 2023/24 before signing off on their 2021/22 financial statements.

High reserves

The 2022 BFR was amended to begin gathering information on academy trusts’ plans where their revenue reserves exceed 20% of revenue income.

It is likely that the DfE will be looking closely at trusts whose revenue reserves exceed this limit, and one can presume that they will be seeking appropriate justification.

This has been prompted following a review of trusts’ 2020 financial statements, where the DfE found that 22% of academy trusts had reserves balances of more than 20% of their annual income.

GAG pooling

GAG pooling is on the increase in MATs, but for now remains far less common than the traditional top slice model. With sector consolidation to come before 2030 we can be certain pooling will increase in popularity.

MATs should be exploring pooling if they have not already considered this. Pooled resources can enable trusts to respond quicker, and to direct resources to the schools that need them. Pooling can provide the flexibility needed to ultimately improve education.

Since all sources of income belong to the MAT, then subject to any restrictions imposed by the funder, a MAT is able to use the funds to deliver its objects. Whilst trusts which do not pool record individual academy reserves, legally any unspent reserves are the reserves of the MAT as a whole anyway, and hence pooling takes away the need for individual reserve balances to be monitored.

