

The Federation of Abbey Schools Academy Trust

Audit Findings Report Period ended
31 August 2023

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Your contacts in relation to this report are:

Kevin Shotton

Partner

Kevin.Shotton@cliveowen.com

James Davies

Director

James.Davies@cliveowen.com

Olivia Scarth

Senior Associate

Olivia.Scarth@cliveowen.com

Section 1: Introduction

The audit of the academy trust for the period ended 31 August 2023 is substantially complete, subject to the clearance of final matters with the Governors and the following information:

- Signed letters of representation.

The primary purpose of this Audit Summary Report ("the report") is to summarise our principal findings relating to judgements and estimates made by management in preparing the financial statements and to highlight the impact of accounting areas on the results of the academy trust.

The scope of our work has already been communicated to you via our Audit Plan, pre year end discussions and the engagement letter.

This report covers the following areas:

- status of the audit and any unresolved misstatements;
- matters arising from the audit including any control matters;
- status of recommendations made in the previous period;
- the management representations that will be required from the Governors in respect of the academy trust; and
- other matters that might be of general interest.

We are required by auditing standards to discuss with the Governors known misstatements and to consider qualitative and quantitative factors assessing materiality for each of these items except those that are clearly trivial. Unadjusted misstatements arising from the audit work are summarised in Section 5.

You are required to review these and inform us of whether there are any further adjustments to be made to the financial statements, and provide us with a reason why the remaining misstatements should not be adjusted for. Those that have been already processed have been agreed with management and are included in Section 5.

We would like to take this opportunity of thanking the Governors and staff, and in particular Claire Rochester and her accounts team, for their assistance during the course of our audit.

Approved by

Clive Owen LLP

Client confirmation:

I confirm that the above document has been circulated amongst the Governors and we acknowledge the content of the report and those matters raised.

Signed.....

(Signed for and on behalf of the Board)

Section 2: Communication to those charged with governance

The International Standard on Auditing (ISA) 260 "Communication with those charged with governance" sets out those matters that must be communicated by the auditors to those charged with governance. This report sets out a number of required communications:

- Auditors responsibility to consider misstatements in the financial statements;
- Governors collective and individual responsibility to fraud;
- Confirmation of the independence of the firm and audit team members;
- Consideration of any material risks and exposures;
- Consideration of audit materiality;
- Schedules of adjusted and unadjusted errors;
- Consideration of uncertainties casting doubt on the ability of the entity to continue as a going concern;
- Consideration of related parties and associated transactions;
- Consideration of post balance sheet events;
- Material weakness in accounting and internal control system;
- Significant difficulties encountered during the audit;
- How we have satisfied ourselves with regard to significant accounting estimates used in the financial statements.

In addition, the following areas have been covered either through the engagement letter we have in place, the Audit Plan and/or discussions with management in the course of the audit:

- Terms of engagement
- Communication of audit scope, timing and approach
- Consideration of significant accounting policies

Limitations of this report

This report refers only to matters we have identified from our audit of the financial statements of the academy trust for the period ended 31 August 2023 that we believe should be brought to your attention. These are not necessarily a comprehensive statement of all issues affecting the financial statements of the academy trust.

Any recommendations for improvements should be assessed by you for their full commercial impact before they are implemented.

The Management team remains responsible for identifying, evaluating and managing risk, including new risks and those which change.

This report has been prepared solely for the use of the Board of Governors, management and others within the academy trust. It must not be disclosed to a third party or quoted or referred to without our written consent. No responsibility is assumed by Clive Owen LLP to any other person.

Section 3: Summary of results for the period

Key SOFA movements year on year

| Revenue bridge | £000 | Cost bridge | £000 |
|---------------------------------------|-------|--|-------|
| Total 2022 income | 3,182 | Total 2022 costs | 3,633 |
| Capital Grants | 33 | Staff Costs | 165 |
| Donations in prior year | (17) | Energy | 16 |
| GAG Income | 73 | Other SLA's | (20) |
| Mainstream Schools Grant | 36 | LGPS adjustments | (212) |
| Other DfE/ESFA – supplementary grant | 44 | | |
| SEN | 19 | Other expenditure movements less than £15k | 3 |
| Other income movements less than £15k | 38 | | |
| | | | |
| | | | |
| Total 2023 income | 3,408 | Total 2023 costs | 3,585 |

Key Financial Results (See Appendix D)

| | 2023 | 2022 |
|--|-------|-------|
| Pupils per census | 617 | 613 |
| Total revenue income per pupil | 5,447 | 5,166 |
| Total revenue expenditure per pupil | 5,397 | 5,158 |
| % spend on staff costs vs revenue income | 84.1% | 84.0% |

Section 3: Summary of results for the period

Statement of Financial Activities underlying surplus

| | £000 | Reconciliation of reserves to cash | £000 |
|------------------------------------|-------|------------------------------------|-------|
| Total movement in funds per SOFA | 211 | Revenue reserves at 31 August 2023 | 285 |
| LGPS movements | (331) | Less stock | - |
| Capital grants / depreciation | 150 | Less debtors | (271) |
| Underlying surplus | 30 | Add creditors | 269 |
| Reserves used for capital projects | - | Add unspent fixed asset grants | 27 |
| Movement in reserves for the year | 31 | Cash as at 31 August 2023 | 310 |
| Reserves b/f (excl pension and FA) | 255 | | |
| Reserves c/f (excl pension and FA) | 285 | | |

Section 4: Areas of Audit Focus

Key Areas of Judgement and Audit Focus

At the planning stage of the audit, we identified the following key areas of audit focus based on the main estimates, judgements and accounting policies in the financial statements:

| Risks and impact | Audit response and conclusion |
|--|---|
| <h3 data-bbox="715 517 938 555">Going Concern</h3> <ul data-bbox="692 589 871 651" style="list-style-type: none"><li data-bbox="692 589 836 618">• Concept<li data-bbox="692 622 871 651">• Disclosures | |
| <p data-bbox="204 723 826 929">Going concern is a fundamental accounting concept in the preparation of the financial statements. Adopting this basis assumes the entity can continue in operation for at least 12 months from the approval of the financial statements. It is the responsibility of the Board of Governors to assess the ability of the entity to continue as a going concern.</p> <p data-bbox="204 952 826 1037">We will review management forecasts and challenge the reasonableness of assumptions made. We will ensure disclosure within the financial statements is appropriate.</p> | <p data-bbox="849 723 1471 898">We have reviewed the management forecasts, and assumptions made. The forecasts show a projected deficit of £19k in 23/24. Given the reserves held the trust has headroom against this position deteriorating. The cash position of the trust is healthy at approx. £0.5m and the forecasts show this position is expected to be maintained.</p> <p data-bbox="849 920 1471 1066">The governors are actively looking to join another trust during 2024 and are in discussions to do so, for this reason a material uncertainty is highlighted in the audit report. The disclosure in the financial statements is considered appropriate.</p> |
| <h3 data-bbox="667 1111 1011 1149">Management override</h3> <ul data-bbox="699 1178 992 1240" style="list-style-type: none"><li data-bbox="699 1178 992 1240">• Pervasive across all areas of the accounts | |
| <p data-bbox="204 1305 826 1391">In accordance with ISA 240 there is a risk relating to the possibility of management override leading to manipulation of the financial results.</p> <p data-bbox="204 1413 826 1588">Management is in a position to override internal controls and therefore may record entries in a way which would seek to present a different financial picture to reality. It is felt that this risk is heightened in more judgemental areas of the accounts, such as provisions and other accounting estimates.</p> <p data-bbox="204 1610 826 1727">We will review and assess the appropriateness of any significant and key accounting judgements. We will also assess the impact of any changes in the method of calculation.</p> <p data-bbox="204 1749 826 1865">We will consider any significant unusual or contentious transactions that come to our attention and ensure the appropriate accounting treatment appears to have been followed.</p> <p data-bbox="204 1888 826 1973">We will review journal entries in order to identify any instances where normal procedures may have been overridden</p> | <p data-bbox="849 1335 1471 1626">We have satisfied ourselves that there is no significant misstatement as a result of our audit procedures. Our review of both standard and non-standard journal entries posted has not highlighted any issues. We have performed test checks to ensure that expenses and payments have been made in accordance with the academy trust's written procedures and that their true nature is reflected in the financial statements. In addition, we believe the judgements taken in assessing the need for provisions to be reasonable.</p> |

Section 4: Areas of Audit Focus

| Risks and impact | Audit response and conclusion |
|--|---|
| <h3 style="text-align: center;">Revenue recognition and restricted income</h3> <ul style="list-style-type: none"> • Revenue • Accrued income • Deferred income | |
| <p>In accordance with ISA 240 this is a higher risk area in which we need to ensure all material income due to the academy trust is recognised in the correct period.</p> <p>The academy trust receives significant levels of funding from government bodies. We will review the accounting treatment for material income streams to ensure income is recognised appropriately based on the reason for receipt. In addition, we will consider the potential for any claw back of any funding if terms of grant are not met.</p> <p>We will be alert for any netting off income against expenditure that may be designed to conceal irregular expenses / payments. Furthermore, we will review expenditure incurred to ensure it appears in accordance with grant conditions.</p> | <p>We have satisfied ourselves that all significant sources of revenue are materially complete. We have performed completeness and existence testing to verify all material sources of income.</p> <p>We have reviewed the terms of the funding agreements and have not identified any instances where grants would be repayable.</p> <p>We have reviewed expenditure incurred to ensure that it appears in accordance with grant conditions. We have not identified any instances of misappropriation of income.</p> |
| <h3 style="text-align: center;">Accounting Estimates</h3> <ul style="list-style-type: none"> • LGPS • Land & Buildings/Depreciation Accrued / deferred income | |
| <p>A revised ISA 540 is effective for the current year audit and it enhances the work required of auditors in respect of accounting estimates.</p> <p>Accounting estimates are considered to be a higher risk area of the audit as it is through estimation and judgement that management could attempt to manipulate the financial picture. The nominal ledgers listed are where there may be an element of estimation.</p> <p>We will seek to obtain evidence post year end that supports the position taken by management at the year end. However, where this is not possible, we will interrogate and seek evidence to support the assumptions used in arriving at the figure included within the financial statements to ensure it is reasonable. Where contradictory evidence is obtained, we will challenge management as to whether this evidence would arrive at a more accurate figure.</p> | <p>We have reviewed the above accounting estimates where they impact on the current year financial statements. The LGPS valuation is considered separately in this report.</p> <p>The land and buildings valuation has remained unchanged in the year and we see no reason to change this valuation given the trust policy is to hold the asset at initial value less impairment rather than adopting a policy of revaluation.</p> <p>Whilst there is an element of judgement in the other areas highlighted, we do not believe them to be at significant risk of material misstatement. We have reviewed the positions taken by management and have not identified any issues as a result of our audit work.</p> |

Risks and impact

Audit response and conclusion

ESFA Regularity Review

- Pervasive across all areas of the accounts

We will review procedures and controls and test compliance with funding and other conditions in accordance with the ESFA regularity framework.

The Academies Accounts Direction gives detailed guidance on the work expected of auditors to cover areas such as:- delegated authorities;

- transactions with connected parties;
- governance;
- internal controls;
- procurement; and
- income.

We will review the terms and conditions of key grants to ensure that the academy trust has complied with these. We will review academy trust expenditure to ensure that it is permissible within the academy trust's framework of authorities, appropriately authorised and in line with funding agreements. Alcohol and excessive gifts continue to be banned transactions regardless of the source of funds used.

Our review of regularity will include the use of data analytics to assist in identifying any transactions that run contrary to the requirements of the Academy Trust Handbook.

We have reviewed procedures and controls and tested compliance with funding and other conditions in accordance with the ESFA regularity framework.

We have reviewed the terms and conditions of key grants to ensure that the academy trust has complied with these.

We have reviewed academy trust expenditure to ensure that it is permissible within the academy trust's framework of authorities, appropriately authorised and in line with funding agreements.

We have confirmed that there are no unauthorised borrowings or disposals of assets.

There were no extra-contractual payments during the period.

The related party transactions were notified to the ESFA and are correctly disclosed in the financial statements. Further details can be found in the draft letter of representation in Appendix A.

| Risks and impact | Audit response and conclusion |
|--|--|
| <h3>LGPS Retirement Benefits Position</h3> <ul style="list-style-type: none"> • Pension liability • Pension costs | |
| <p>The valuation of the LGPS pension liability represents a significant judgement due to the number of assumptions made by the actuary in calculating the figure. Reliance must be placed on the expertise of the independent actuary to try to minimise the risk of material misstatement.</p> <p>As this is a specialist area, we will confirm that the firm that performs the valuation on your behalf has the necessary skills and experience to perform these tasks, so that they can be relied upon, and that the valuer is independent of the academy trust.</p> <p>We will compare the actuarial assumptions used for this academy trust with those used in other valuations to ensure consistent and reasonable given the current economic environment. We will also verify key data used in the calculation to ensure its integrity.</p> | <p>We have placed reliance upon the independent actuaries appointed by the academy trust to perform a valuation of the academy trust's pension liabilities for FRS 102 purposes. We have confirmed that the firms appointed have the necessary skills and experience to perform these tasks. We have assessed the actuaries assigned to perform the valuations on behalf of the academy trust and we have no concerns.</p> <p>We have ensured that the academy trust's management have checked the data and considered the assumptions used by the actuary in preparing the LGPS valuation.</p> <p>We have reviewed a copy of the LGPS valuation to support the disclosures in the financial statements.</p> <p>We have compared the actuarial assumptions used for this academy trust with those used for other academy clients to ensure consistent.</p> |

Section 5: Adjusted and unadjusted items

| Adjusted items | SOFA | | Balance Sheet | |
|--------------------------------------|--------|------------------|---------------|----|
| | Dr | Cr | Dr | Cr |
| | £ | £ | £ | £ |
| LGPS – Net Interest | 13,000 | | | |
| LGPS - Pension Cost | 44,000 | | | |
| LGPS – Actuarial Mvt | | 388,000 | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Surplus before adjustments | | (120,000) | | |
| Adjustments above | | 331,000 | | |
| Adjusted surplus per accounts | | 211,000 | | |

We confirm the above adjustments should be made to the accounts for the period ended 31 August 2023.

Signed.....

(Signed for and on behalf of the Board)

Section 5: Adjusted and Unadjusted Items

| Unadjusted items | SOFA | | Balance Sheet | |
|-----------------------------------|------|---------|---------------|----|
| | Dr | Cr | Dr | Cr |
| | £ | £ | £ | £ |
| None | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Surplus before adjustments | | 211,000 | | |
| Total unadjusted amounts | | - | | |
| Potential surplus | | 211,000 | | |

We confirm the above adjustments should not be made to the accounts for the period ended 31 August 2023.

Signed.....

(Signed for and on behalf of the Board)

Section 6: Other audit matters

Audit adjustments

The materiality set out in the audit plan was £32,000 based on the previous years results. Our final performance materiality based on the actual results for the period to 31 August 2023 was £28,800, with all adjustments above £1,600 being itemised within this document.

Significant difficulties encountered in the course of the audit

We are pleased to report that there were no significant difficulties encountered during the course of the audit.

Fraud

We have not identified any instances of fraud during the course of the 2023 audit.

Non-compliance with laws and regulations

No matters of non-compliance with laws or regulations have been brought to our attention during our audit.

Related Parties

We have discussed the potential for related party transactions with the management team and have been advised of those included in Appendix A of this report. We can confirm that we did not identify any further material related party transactions during our audit work. We have obtained statements of assurance from any related parties to ensure that there is not a profit element charged on the contract.

Independence

In our professional judgement we are independent within the meaning of FRC Ethical Standards and ISA 260. The objectivity and independence of the audit engagement partner and audit staff is not impaired. We highlight the following matters that may be considered to bear upon our objectivity and independence:

- Statutory account preparation
- Academies Accounts Return preparation
- Teachers Pension audit

The non audit services were undertaken by personnel not involved with the audit where there was a self-review threat. We consider that these safeguards adequately address any threats to our objectivity and independence.

We do not envisage any problems in complying with FRC Ethical Standards and ISA 260 for the period commencing 1 September 2023. If anything were to change in this aspect, we would draw the matter to your attention.

Section 7: Significant internal control recommendations

In accordance with paragraph 4.23, 4.24 and 4.25 of the ESFA's Auditor Framework and Guide we are requested to report upon regularity issues within the document.

We have considered the systems and internal controls in the course of our audit and have identified the following areas we believe controls could be improved. Matters are classified in terms of importance as follows:

| Classification | Control weakness and implication | Recommendations | Carried forward from prior year | Management response (including timescale) |
|--|---|---|---------------------------------|---|
| <p>R <i>High importance – risk should be addressed by the Governors as a matter of priority as insufficient internal controls are currently in place.</i></p> <p>A <i>Medium importance – the current internal controls could be improved upon.</i></p> <p>G <i>Low importance – suggestions for a change in procedure, although existing procedures are adequate. These are not deemed to be of such significance that they should be highlighted to those charged with governance and therefore are recorded in Appendix C.</i></p> | | | | |
| A | <p><u>Declaration of Interests</u></p> <p>The two newly appointed Directors have not completed Declarations of interest to disclose any related parties.</p> <p>This poses a risk of the academy trust unknowingly entering into related party transactions which require disclosure to the ESFA.</p> | Upon appointment new Directors must completed a declaration of interests' form detailing all related parties. | N | Declarations of interests now in place. |

APPENDICES: Appendix A – Letter of representation – financial statements

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy trust's financial statements and, as relevant, your assurance engagement on regularity for the period ended 31 August 2023. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

General

- 1 We have fulfilled our responsibilities as Governors as set out in the terms of your engagement letter dated 16 September 2022 under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the academy trust have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy trust, and with all other records and related information requested, including minutes of all management and Governor meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.
- 5 The effects of uncorrected misstatements (as set out in the Audit Finance Report) are immaterial both individually and in total.

Internal control and fraud

- 6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 7 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 8 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

- 9 The academy trust has satisfactory title to all assets and there are no liens or encumbrances on the academy trust's assets, except for those that are disclosed in the notes to the financial statements.

- 10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 11 Management have considered the implications of the Harpur Trust v Brazel case which clarified how holiday pay should be calculated for permanent employees who work irregular hours eg Exam Invigilators, Peri and Teaching support. Management consider that the holiday pay paid to the employees that could be affected is inline with the judgement so no accrual is required.
- 12 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

- 13 The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

Loans and arrangements

- 14 The academy trust has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

- 15 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

Law and regulations

- 16 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

- 17 Related party relationships and transactions, comply with the academy trust's financial regulations, relevant requirements of the Academy Trust Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Academies Accounts Direction issued by the Education and Skills Funding Agency.

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

| <u>Party</u> | <u>Relationship</u> | <u>Nature of transaction</u> | <u>Value</u> |
|--------------------------------------|-----------------------------------|------------------------------|--------------|
| James Rochester Heating and Plumbing | Spouse of Chief Financial Officer | Purchases | £1,405 |

Subsequent events

- 18 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

- 19 We believe that the academy trust's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be

more than adequate for the academy trust's needs. We also confirm our plans for futures action(s) required to enable the academy trust to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy trust's ability to continue as a going concern need to be made in the financial statements.

Grants and donations

- 20 Grants made by the Department for Education and Education and Skills Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.
- 21 All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

Restricted grants and donations are as follows:

| | £ |
|-------------------------------------|-----------|
| General Annual Grant (GAG) | 2,614,000 |
| Pupil Premium | 92,000 |
| PE and Sports Premium | 37,000 |
| Universal Infant Free School Meals | 109,000 |
| Supplementary Grant | 71,000 |
| Mainstream Schools Additional Grant | 36,000 |
| SEN | 89,000 |
| Rates | 9,000 |
| Other | 3,000 |
| Local authority grants | 5,000 |
| Other government grants | 19,000 |
| Other COVID-19 funding | 19,000 |

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

Each Governor taken all the steps that he/she ought to have taken as a Governor in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Appendix B – Letter of representation - Regularity

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to The Federation of Abbey Schools Academy Trust and the Education and Skills Funding Agency (ESFA) for the year ended 31 August 2023. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy me that I can make each of the following representations. All representations are made to the best of my knowledge and belief.

General

1. I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between The Federation of Abbey Schools Academy Trust and the Secretary of State for Education dated 29 July 2011 and the Academy Trust Handbook 2022.
2. I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.
3. I acknowledge my responsibility to notify the governing body and the ESFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy trust's funding agreement and have had due regard to the requirements of the Academy Trust Handbook 2022 in performing this duty.
4. Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the ESFA.
5. Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the academy trust's authorising framework.
6. Full and free access has been granted to the all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Appendix C – Other internal control observations

Whilst not deemed significant to highlight to those charged with governance, we would recommend that management give consideration to the following internal control observations:

| Control weakness and implication | Recommendations |
|--|--|
| Getting information for schools is not up to date, as S Howe resigned 18 May 2023. However, neither their appointment nor resignation is reflected on the website. | The academy trust GIAS record should be updated as changes occur to ensure the record is up to date. |
| Companies House is not up to date, as R Kershaw resigned on 31 July 2023, however, is still an active director on the website. | The academy trust should update Companies House as changes occur to ensure all records are in line and up to date. |

Appendix D – Key financial results definitions

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

| Pupil numbers |
|---------------|
| January 2023 |

| Total revenue income per pupil |
|--|
| Total income per accounts |
| Less: Capital income |
| Less: Net transfer on conversion/acquisition |
| Less: Actual income from joining academies |
| Add: Annualised income from joining academies |
| Revenue income |
| Revenue income per pupil [Revenue income / pupils] |

| Total expenditure per pupil |
|--|
| Total expenditure per accounts |
| Less: Depreciation |
| Less: LGPS adjustment |
| Less: LGPS net interest cost |
| Less: Actual expenditure from joining academies |
| Add: Annualised expenditure from joining academies |
| Revenue expenditure |
| Revenue expenditure per pupil [Revenue expenditure / pupils] |

| % spend on staff costs (incl NI & pension) vs revenue income |
|--|
| Staff costs per accounts |
| Less: LGPS adjustment |
| Adjusted staff costs |
| % spend on staff costs (incl NI & pension) vs revenue income [Adjusted staff costs / Revenue income from above] |

Appendix E – Technical Update

Academies Trust Handbook (ATH) 2023

The new ATH was issued on 6 July 2023 and at 62 pages is significantly shorter than last years' version. However, there remain a significant number of embedded links to other guidance.

Helpfully there is a now a schedule in excel format of all of the MUSTS that a trust must comply with. This will make it easier for trusts to undertake their own monitoring to ensure compliance with the handbook.

The main changes in the ATH can be summarised as:

Roles and responsibilities:

1. *Emphasising the importance and value of good estates safety and management (1.19).*

This is the most significant change and was flagged in the Academy Accounts Direction (AAD), with significant additional references added within the financial statements. These include the trustees report, where within the section on principal risks and uncertainty it now states that this '*should include consideration of those risks impacting on trustees' responsibilities to ensure the trust's estate is safe, well maintained and complies with relevant regulations*'. Further wording regarding estate safety is now required in the review of value for money section of the governance statement. In addition, the statement that the Accounting Officer (AO) signs on regularity, propriety and compliance now refers to estate safety and management.

Given the issues around RAAC it is important that Directors/Trustees give serious consideration to estate safety and management. We've seen a number of trusts in the last year pay for comprehensive site surveys so that the trust understands the estate they have, the problems that exist and potential solutions.

For those trusts that did not include their estates on their risk register they should consider doing so. Some trusts which have an estates committee, which historically considered which projects the trust should be bid for (CIF)/ how SCA should be allocated, and then monitored those projects are now expanding/placing more emphasis within the committee remit on estate safety.

2. *Updated the content on governance matters throughout part 1 following the publication of the trust quality descriptions.*

More detail can be found in the commissioning high quality trusts publication, available on the government website.

<https://www.gov.uk/government/publications/commissioning-high-quality-trusts>

3. *Confirming that the board should have sufficient financial knowledge to hold the executive to account (1.25).*

Whilst this refers to the board, obviously different individuals have different skills and this is emphasising that boards should ensure as a whole they have the relevant skills, in this case

finance to enable the executive to be held to account. Most trusts undertake a skills audit of their board. Those that don't should consider this.

4. *Categorically states that no other employees, other than the AO, should serve as trustees (1.22)*
5. *Explaining the roles of the AO and the CFO should not be occupied by the same person (1.28)*
6. *Removed the external review of governance suggestion.*

Whilst this has been removed our view is that this is still best practice.

Main financial requirements:

1. *Confirms that trusts no longer need to provide an explanation in their governance statement where the board has not met at least 6 times during the year (2.3).*

We would still recommend that a board still meets at least six times a year to ensure that as directors they are discharging their duties. Possible exceptions may apply where the duties have been properly delegated to sub committees which have the appropriate powers/authority.

2. *Provides trusts with an additional month to submit their Budget Forecast Return (2.15).*

The deadline for submission is now 31 August. In reality this makes little difference as the trustees usually approve the budget in May/June and would not meet again over the summer to update if factors changed.

3. *Simplifying the position on the preparation and circulation of management accounts (2.18 – 2.20). Management accounts must still be prepared and shared with the chair of trustees on a monthly basis. The board must consider these accounts when it meets to ensure it has appropriate oversight of the financial position of the trust. Variances between budget and actual should be questioned.*
4. *Reference to KPI selection and monitoring has been removed.*

Whilst the ATH has removed reference, to make management accounts more easily accessible we would recommend that trusts chose some key performance indicators (KPI) and report on them. Below are a few examples:

Pupil numbers

Number of starters and leavers by year group

Pupil absence rate by year group

Staff numbers

Number of staff starters and leavers during the school year

Number of days lost to staff sickness (with some comparison – last yr/national)

Income per pupil

Staff costs per a pupil

Percentage of income spent on wages

Some metrics around other costs

Trade debtors and trade creditors over say 60 days – highlights any problems

Reserves carried forward by individual school

This could be done on a trust basis, or on a school by school, basis with consolidation to give an overall picture. If the trust has multiple schools, comparisons between the schools could be useful.

The examples given are not an exhaustive list as different trusts will want to track different data, but hopefully the list may start some debate.

As you can see not all the examples are linked directly to the financials but are numbers that the board may consider useful to add discussion/understanding of the trust.

Whilst tables could be used for all of this data, we would recommend some graphs, as some individuals on the board may find visible representation easier to understand.

5. *Explains the position in respect of Electric Vehicle (EV) salary sacrifice schemes (2.31)*

In essence where there is no cost/risk to the trust then the trust can operate this scheme.

Delegated authorities:

1. *A reminder of the benefits and considerations of GAG pooling (5.30 and 5.31).*

We are getting more and more questions concerning pooling of income and resources. Some are considering GAG pooling, others looking at just combining the Devolved Formula Capital (DFC) within the trust to undertake more meaningful projects and others looking at how reserves, with some exception (see below) can be pooled. At present only a limited number of trusts have undertaken any sort of pooling as there is obviously some concern about how existing and potential new schools joining the trust will view this.

2. *A reminder that you cannot GAG pool PFI funding (5.31)*

3. *A change in the approval threshold for related party transactions (commencing or renewed) and simplifying arrangements for transactions within other educational providers (5.42 & 5.57)*

- a. *Transaction limit increased from £20,000 to £40,000.*
- b. *New limit is per a transaction, not cumulative*
- c. *No change to £2,500 at cost threshold*
- d. *Education provider related party carve-out*
- e. *States that the rules do not apply to subsidiaries of these entities*
- f. *Removal of word 'material' from register of interests*

Whilst the increase in the limit to £40,000 was highlighted in the changes section of the ATH it was less clear that the limit had been changed from a cumulative to a transaction one. The ESFA have, following questions, confirmed that the limit applies to a transaction rather than being cumulative.

The Regulator & Intervention

1. *Clarification of the range of circumstances in which an Ntl might be issued – both financial and governance related (6.16)*
 - *an actual or projected deficit*
 - *cash flow problems*
 - *insolvency risk*
 - *irregular use of public funds*
 - *poor internal scrutiny*
 - *breaches of related party requirements*
 - *the trust board not being properly constituted*
 - *trustees failing to comply with their safeguarding duties*
 - *trustees lacking the skills, knowledge and experience to exercise effective oversight of the trust's operations and performance, including educational performance.*

- *Commitment for the department to engage with the sector in developing its approach to intervention*

Academies Accounts Direction 2023 (AAD)

The changes that were introduced when this was updated in April are covered within the technical section of our audit plan.

Academy trust mergers

Whilst the pressure from the education white paper for trusts to grow was dropped we are seeing significant activity regarding academy trust mergers, usually trust led rather than the result of intervention from the Regional Director.

Rather than set up a new trust for the academies to transfer into it is usual that an Academy Trust merger will involve the transfer of assets and liabilities from one trust to another. This is usually a pragmatic decision dependent upon the number of schools transferring and whether there are any complications eg PFI schools, but can get emotive if it seen that one trust is taking over another.

When considering a merger, it is important that a number of matters are considered:

1. Due diligence – this will differ from trust to trust. Whatever scope is agreed the aim is to get a full picture, understanding the positives and negatives of the merger. This will involve a review of the entities risk registers to ensure that they are accurate and that when combined the risks are minimised rather than increased.
2. Roles and structures – who will be the Accounting Officer (AO), the Chief Financial Officer (CFO), the chair/vice chair of the trust? Who will be the members? Change of name? LGB model? Is a Chief Operating Officer (COO) required? What should the trust structure be - a hub model based on operating area, or type eg all secondaries working together? A steering group who have the remit is usually required to ensure that this process is done in accordance with any timelines.
3. Consultation with parents, other schools and the local authority is required. Approval must also be sort and granted by the Regional Director.
4. Funding agreements will need to be updated, staff transferred under TUPE and land transferred. Usually this will be set out in any Heads of Terms and subsequent transfer agreement.

Appointing a legal firm which specialises in the academy sector should be considered at outset of undertaking a merger.

Reinforced Autoclaved Aerated Concrete (RAAC)

RAAC is a lightweight material that was used in pre cast panels on flat roofs and also floors and walls in the period 1950's to 1990's. It is aerated or 'bubbly' like an Aero chocolate bar.

There has obviously been significant reporting on this matter. At the 14 September 2023, 174 cases had been confirmed.

The governments website sets out further details:

<https://educationhub.blog.gov.uk/2023/09/19/new-guidance-on-raac-in-education-settings/>

Extract:

To support this work, the Department for Education has contracts with 3 leading suppliers of temporary accommodation to provide temporary units.

The requirements for each school or college will vary, but the government will spend whatever it takes and offer whatever assistance is needed to keep children safe. This includes capital funding for emergency mitigation work and supporting schools with additional revenue costs. The department will also fund longer-term refurbishment or rebuilding projects.