



CLIVE OWEN ^{LLP}

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

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The Cedars Academy
Trust
Audit Findings Report
Period ended
31 August 2021

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Section 1: Introduction

The audit of the academy trust for the period ended 31 August 2021 is substantially complete, subject to the clearance of final matters with the Trustees and the following information:

- Post year end management accounts;
- Academies Accounts Return (AAR); and
- Signed letters of representation.

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

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

This report covers the following areas:

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

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

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

We would like to take this opportunity of thanking the Trustees] and staff, and in particular Julie Vincent and her accounts team, for their assistance during the course of our audit.

Approved by

Clive Owen LLP

Client confirmation:

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

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

Section 2: Communication to those charged with governance

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

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

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

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

Limitations of this report

This report refers only to matters we have identified from our audit of the financial statements of the academy trust for the period ended 31 August 2021 that we believe should be brought to your attention. These are not necessarily a comprehensive statement of all issues affecting the financial statements of the academy trust.

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

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

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

Section 3: Summary of results for the period

Key SOFA movements year on year

Revenue bridge	£000	Cost bridge	£000
Total 2020 income	3,305	Total 2020 costs	3,660
Reduction in capital funding	(42)	Increase in staff costs	391
Increase in GAG	439	Reduction in other direct costs	(26)
Increase in Pupil Premium	42	Increase in depreciation	37
Reduction in teachers' pay grant	(21)	Reduction in technology costs	(50)
Grants related to Covid-19	49	LGPS movement	90
Summer school funding	73		
Reduction in other income eg trips	(33)		
Other sundry movement less than £15k	(20)	Other sundry movement less than £15k	(8)
Total 2021 income	3,792	Total 2021 costs	4,094

Key Financial Results (See Appendix C)

	2021	2020
Pupils per census (<i>September 2021</i>)	220	196
Total revenue income per pupil	£17,077	£16,469
Total revenue expenditure per pupil	£15,656	£16,015
% spend on staff costs vs revenue income	77%	77%

Statement of Financial Activities underlying surplus

	£000	Reconciliation of reserves to cash	£000
Total movement in funds per SOFA	(396)	Revenue reserves at 31 August 2021	636
LGPS movements	456	Less debtors	(309)
Capital grants / depreciation	251	Add creditors	652
Underlying surplus	311	Add unspent fixed asset grants	-
Reserves used for capital projects	(738)	Cash as at 31 August 2021	978
Movement in reserves for the year	(425)		
Reserves b/f (excl pension and FA)	1,061		
Reserves c/f (excl pension and FA)	636		

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
<p>Going Concern</p> <ul style="list-style-type: none">• Concept• Disclosures <p>Going concern is a fundamental accounting concept in the preparation of the financial statements. Adopting this basis assumes the entity can continue in operation for at least 12 months from the approval of the financial statements. It is the responsibility of the Trust Board to assess the ability of the entity to continue as a going concern.</p> <p>We will review management forecasts and challenge the reasonableness of assumptions made. We will ensure disclosure within the financial statements is appropriate.</p>	<p>We have reviewed the management forecasts, and assumptions made. The forecasts show a surplus of £44,000 in 21/22. In addition, the academy trust has sufficient reserves to cover any unexpected expenditure or loss of income.</p> <p>We do not believe there to be any material uncertainties surrounding going concern.</p> <p>The disclosure in the financial statements is considered appropriate.</p>
<p>Management override</p> <ul style="list-style-type: none">• Pervasive across all areas of the accounts <p>In accordance with ISA 240 there is a risk relating to the possibility of management override leading to manipulation of the financial results.</p> <p>Management is in a position to override internal controls and therefore may record entries in a way which would seek to present a different financial picture to reality. It is felt that this risk is heightened in more judgemental areas of the accounts, such as provisions and other accounting estimates.</p> <p>We will review and assess the appropriateness of any significant and key accounting judgements. We will also assess the impact of any changes in the method of calculation.</p> <p>We will consider any significant unusual or contentious transactions that come to our attention and ensure the appropriate accounting treatment appears to have been followed.</p> <p>We will review journal entries in order to identify any instances where normal procedures may have been overridden.</p>	<p>We have satisfied ourselves that there is no significant misstatement as a result of our audit procedures. Our review of both standard and non – standard journal entries posted has not highlighted any issues. We have performed test checks to ensure that expenses and payments have been made in accordance with the academy trust’s written procedures and that their true nature is reflected in the financial statements. In addition, we believe the judgements taken in assessing the need for provisions to be reasonable.</p>

Section 4: Areas of audit focus

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

Section 4: Areas of audit focus

Risks and impact	Audit response and conclusion
<p style="text-align: center;">ESFA Regularity Review</p> <ul style="list-style-type: none">• Pervasive across all areas of the accounts	
<p>We will review procedures and controls and test compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p>The Academies Accounts Direction gives detailed guidance on the work expected of auditors to cover areas such as:-</p> <ul style="list-style-type: none">- delegated authorities;- transactions with connected parties;- governance;- internal controls;- procurement; and- income. <p>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 trusts framework of authorities, appropriately authorised and in line with funding agreements. Alcohol and excessive gifts continue to be banned transactions regardless of the source of funds used.</p> <p>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 Financial Handbook.</p>	<p>We have reviewed procedures and controls and tested compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p>We have reviewed the terms and conditions of key grants to ensure that the academy trust has complied with these.</p> <p>We have reviewed academy trust expenditure to ensure that it is permissible within the academy trust's framework of authorities, appropriately authorised and in line with funding agreements.</p> <p>We have confirmed that there are no unauthorised borrowings or disposals of assets.</p> <p>There were no extra-contractual payments during the period.</p> <p>The related party transactions were authorised by the ESFA, where required, and are correctly disclosed in the financial statements. Further details can be found in the draft letter of representation in Appendix A.</p>

Section 4: Areas of audit focus

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

During the fieldwork stage of the audit we did not identify any further key judgement areas and areas of focus as being critical to the 2021 financial statements.

Section 5: Adjusted and unadjusted items

Adjusted items	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
Fixed asset addition accrued			70,000	70,000
Prepayments b/f	13,000			13,000
Other creditors b/f – debit balances	22,000			22,000
Accruals adjustment		1,000	1,000	
Summer school accrued income		73,000	73,000	
DFE donated assets introduced	5,000	20,000	15,000	
Deficit before adjustments	450,000			
Adjustments above		54,000		
Adjusted deficit per accounts	396,000			

We confirm the above adjustments should be made to the accounts for the period ended 31 August 2021.

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

Section 5: Adjusted and unadjusted items

Unadjusted items	SOFA		Balance Sheet	
	Dr	Cr	Dr	Cr
	£	£	£	£
Pupil premium over accrued	9,000			9,000
School fund bank account movement		3,000	3,000	
Rent accrual reversed		6,000	6,000	
Deficit before adjustments	396,000			
Total unadjusted amounts				
Potential deficit	396,000			

We confirm the above adjustments should not be made to the accounts for the period ended 31 August 2021.

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

Section 6: Other audit matters

Audit adjustments

Our final performance materiality for the period to 31 August 2021 was £26,250, with all adjustments above £1,750 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 2021 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.

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:

- 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 2021. If anything were to change in this aspect we would draw the matter to your attention.

Section 7: Significant internal control recommendations

In accordance with paragraph 4.25, 4.26 and 4.27 of the ESFA's Auditor Framework and Guide we are requested to report upon regularity issues within the document.

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



High importance – risk should be addressed by the Directors as a matter of priority as insufficient internal controls are currently in place.



Medium importance – the current internal controls could be improved upon.



Low importance – suggestions for a change in procedure, although existing procedures are adequate. These are not deemed to be of such significance that they should be highlighted to those charged with governance and therefore are recorded in Appendix B.


Classification	Control weakness and implication	Recommendations	Carried forward from prior year	Management response (including timescale)
A	<p><u>Declarations of interest</u></p> <p>The annual declaration of interests has not been not fully completed by all Trustees.</p> <p>The academy trust may unknowingly enter into transactions with related parties.</p>	<p>Declarations of interest to be updated to ensure all potential related parties are disclosed. Trustees should be reminded to include all business interests (and those of close family members) on these forms.</p>	N	
A	<p><u>VAT</u></p> <p>A partial exemption calculation is not being prepared.</p> <p>This may result in VAT claims being overstated.</p> <p>Only one VAT claim was made in the period from September 2020 to April 2021. This could impact on the academy trusts cashflow.</p>	<p>The academy trust should prepare partial exemption calculations when submitting VAT claims together with an annual one as required by HMRC.</p> <p>VAT claims should be submitted on a regular basis.</p>	N	

Section 7: Significant internal control recommendations

Classification	Control weakness and implication	Recommendations	Carried forward from prior year	Management response (including timescale)
A	<p><u>School Fund</u></p> <p>Not all transactions in the school Fund were posted.</p> <p>Movement not posted on a timely basis may result in management accounts reviewed by Trustees being misstated.</p>	Post all transactions in the school fund accounts and reconcile the balance.	Y	
A	<p><u>Payroll</u></p> <p>ID for an employee (L Service) is not held on file.</p> <p>This could expose the academy trust to possible fraud and not being able to verify an employee's existence.</p>	To hold a copy of ID on file for every employee.	N	
A	<p><u>Pupil Premium</u></p> <p>The pupil premium information for the year has not been published on the website.</p> <p>Failure to publish the Pupil Premium information on the academy's website is a breach of regulations.</p>	Publish Pupil Premium information on the website year on year.	N	The deadline for putting 2021/2022 Pupil Premium plan on the website is 31 December 2021. Client is currently working towards this deadline.

Section 7: Significant internal control recommendations

Recommendation raised in the prior year that are now fully resolved are set out below:

Classification	Prior year recommendation	Action taken
 A	<p><u>Management accounts</u></p> <p>Recommence supply of management accounts to the Trust board.</p>	Management accounts prepared and supplied to the Trust board.
 R	<p><u>Internal scrutiny</u></p> <p>Internal scrutiny work should be undertaken in future periods.</p>	Internal scrutiny work undertaken by Inspire Financial Management.
 A	<p><u>VAT debtor</u></p> <p>Balance sheet accounts should be reconciled on a monthly basis.</p>	Balance sheet accounts reconciled on a monthly basis.
 A	<p><u>Balance sheet reconciliations</u></p> <p>Balance sheet accounts should be reconciled on a monthly basis.</p>	Balance sheet accounts reconciled on a monthly basis.



CLIVE OWEN ^{LLP}

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Appendices

Appendix A - Letters of representation – financial statements

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy trust's financial statements and, as relevant, your assurance engagement on regularity for the period ended 31 August 2021. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

General

- 1 We have fulfilled our responsibilities as Trustees as set out in the terms of your engagement letter dated 17 September 2020, under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the academy trust have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy trust, and with all other records and related information requested, including minutes of all management and trustee meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.
- 5 The effects of uncorrected misstatements are immaterial both individually and in total.

Internal control and fraud

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

Assets and liabilities

- 9 The academy trust has satisfactory title to all assets and there are no liens or encumbrances on the academy trust's assets, except for those that are disclosed in the notes to the financial statements.
- 10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 11 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Appendix A - Letters of representation – financial statements

Accounting estimates

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

Loans and arrangements

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

Legal claims

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

Law and regulations

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

Related parties

- 16 Related party relationships and transactions, comply with the academy trust's financial regulations, relevant requirements of the Academies Financial 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:

Party	Relationship	Nature of transaction
E Neale	Spouse is a trustee	Wages
K Vincent	Spouse is a trustee	Wages
A Finn	Spouse is a trustee	Wages

Subsequent events

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

Going concern

- 18 We believe that the academy trust's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy trust's needs. We also confirm our plans for futures action(s) required to enable the academy trust to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy trust's ability to continue as a going concern need to be made in the financial statements.

Appendix A - Letters of representation – financial statements

Grants and donations

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

Restricted grants and donations are as follows:

<i>General Annual Grant (GAG)</i>	£1,900,000
<i>Devolved Formula Capital</i>	£13,897
<i>Other Capital Donations</i>	£19,682
<i>Pupil Premium</i>	£129,344
<i>PE and Sports Premium</i>	£16,740
<i>Universal Infant Free School Meals</i>	£10,619
<i>Teachers Pay Grant</i>	£19,395
<i>Teachers Pension Grant</i>	£53,749
<i>Summer School</i>	£73,073
<i>SEN</i>	£1,449,797
<i>Other DFE/ESFA</i>	£2,409
<i>Other Local Authority Grants</i>	£22,873
<i>Covid-19 Catch-up Premium</i>	£48,960
<i>Donations</i>	£74
<i>Income from other academies</i>	£1,200
<i>Donated laptops</i>	£19,682

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

Appendix A - Letters of representation – regularity

We confirm to the best of our knowledge and belief that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

- 1) *We acknowledge as Trustees our responsibility for making accurate representations to you and for the statement on regularity, propriety and compliance made by the Accounting Officer on behalf of the academy.*
- 2) *We confirm that you have been notified of any matters of which we are aware that may be of relevance to your report of regularity, propriety and compliance.*
- 3) *We confirm that all evidence used to support the Accounting Officer's sign-off of the regularity statement has been made available to you.*
- 4) *We confirm that all activities of the academy are in keeping with the academies framework and the charitable objectives of the academy.*
- 5) *We confirm that all key staff and Trustees have declared their interest in related parties and where transactions have occurred they are in accordance with the guidelines set out in the Academies Financial Handbook (the Handbook) sections 5.34 to 5.58.*
- 6) *We confirm that all related party transactions have been notified to the ESFA and authorisation was received for those cumulatively over £20,000.*
- 7) *We confirm that we have notified you of all transactions set out in section 5.2 of the Handbook as follows:*
 - *Write-offs of unrecoverable debts or overpayments;*
 - *Recognising losses of stocks or other assets;*
 - *Taking on liabilities by issuing specific guarantees, or providing a letter of comfort; or providing indemnities;*
 - *Special payments (transactions outside the usual planned range);*
 - *Gifts or hospitality received or given.*
- 8) *We confirm that no expenditure has been incurred by the academy that is in contravention of the funding agreement. In particular we confirm that any extra-contractual payments for staff have been made in accordance with the Handbook.*
- 9) *We confirm that all transactions involving land and buildings are in line with the funding agreement and Handbook.*
- 10) *We confirm that all write-offs over 1% of total income or £45,000 (whichever is smaller) have been approved in advance by the Secretary of State.*
- 11) *We confirm that all procurement activity has been in accordance with Annex 4.6 of Managing Public Money.*

Appendix B – Other internal control observations

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

Control weakness and implication	Recommendations
None noted.	

Appendix C – Key financial results definitions

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

Pupil numbers
January 2021 / May 2020
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]

Academy Trust Handbook (ATH) 2021

Historically called the Academies Financial Handbook (AFH). The change in name reflects the way the AFH has developed over the last few years from a document that focused just on financial matters to one that now encompasses a significantly wider range of responsibilities.

Whilst the audit for the year ended 31 August 2021 has focused on compliance with the AFH 2020, the ATH 2021 which was released in June is effective from 1 September 2021 and will therefore be the focus of next year's audit.

There are a number of significant changes in the new AFT 2021 and it is important that trusts review and implement any changes they need to make as soon as possible.

The main changes are as follows:

Roles and responsibilities

- Information on suitability checks for existing and future members;
- Confirming that trusts should have reserved places for parents in their governance structure:
 - SAT – At least 2 places on the board
 - MAT – At least 2 places on the board or at least 2 places on the LGB's where they exist
- Highlighting trusts' obligations in relation to:
 - Safeguarding;
 - Health and safety; and
 - Estates management.
- Emphasising the process of appointing a senior executive leader as a trustee;
- Emphasising the value of external reviews of governance for trusts;
- Advising trusts to liaise with their RSC when they know their senior executive leader is planning to leave eg retirement or resignation, to discuss their structure and options including plans for recruitment;
- Replacing the term clerk with governance professional; and
- Reminding trusts that they must obtain Disclosure and Barring Service checks for staff and supply staff, and that Members, trustees and LGB members must have enhanced DBS certificates.

Main financial requirements

- Explaining when trusts should review their scheme of delegation;
- Updating information on what trusts need to publish on their website in relation to employees whose benefits (including employers pension contribution) exceed £100k; and
- Reminding trusts of governance documents which need to be available for public inspection:
 - Agendas for all trustee and LGB committee meetings
 - Approved minutes of those meetings
 - Any reports etc considered at those meetings (there are exclusions eg employee/proposed employee names, pupil names and any matter trustees are satisfied should remain confidential)

Internal scrutiny

- Explaining that the chair of the audit and risk committee should not be the same person as the chair of the finance committee; and
- Explaining that internal scrutiny must not be carried out by a member of the senior leadership team.

Appendix D – Technical Update

Annual accounts and external audit

- Setting out when trusts should re-tender for their external audit service.

Delegated authorities

- Explaining that trusts must obtain prior approval for staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k.

The regulator and intervention

- Introducing a requirement for trusts to provide ESFA with authority to obtain third party information;
- Providing trusts with advice and guidance on cybercrime:
 - Awareness of and have appropriate controls
 - Obtain ESFA approval to pay ransom demandsand
- Renaming the Financial Notice to Improve (FNtI) to Notice to Improve (NtI) reflecting how ESFA intervenes in broader governance issues.

Historical Rates claims

From 1 April 2022 academies will not be able to submit historic claims for previously unclaimed years. Academies have until the 31 March 2022 to submit any outstanding claims relating to the years 2015/16 to 2021/22 via the [NNDR portal](#).