

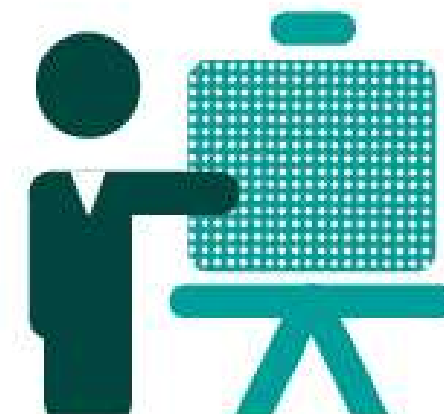
# Audit Findings Report

for the year ended 31 August 2022 for

## Notre Dame High School

Prepared by: Michael Mealing, Audit Director

Date of issue: 2 December 2022



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# 1. Introduction

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This report has been prepared for the trustees of Notre Dame High School to bring attention to those charged with governance various matters arising from the audit of the academy trust for the year ended 31 August 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 Notre Dame High School and is intended only for use by them, and the staff of the academy. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this report, or any part of it, is disclosed to a third party, other than to the Education & Skills Funding Agency, our written consent must be obtained.

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

## Roles and Responsibilities

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



## 2. Overview

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



## 2. Overview

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### Independence and ethical standards

Potential threats to our independence as auditors and the safeguards in place to ensure our independence are detailed in section 3.

### 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

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### Misstatements and adjustments to the accounts

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

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

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

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 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 that the academy trust's financial statements should be prepared on a basis other than going concern on the grounds that the school has transferred to a multi academy trust within this timeframe.

### 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. This document considers such matters in the context of our audit for the year ended 31 August 2022. In addition to performing the statutory audit, we also provide the following non-audit services:

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



## 4. Audit scope and objectives

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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 FRS 102.

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

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

We also report on whether:

The academy trust has kept adequate accounting records.

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

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

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

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





## 5. Overall audit strategy

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### **Risk-based audit**

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

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

### **Risk-based limited assurance engagement**

In addition to our audit opinion we are also required to perform a limited scope assurance engagement, reporting both to you and to the Education & Skills Funding Agency ("ESFA"), considering whether the expenditure disbursed and the income received by the trust during the period 1 September 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 Academies Financial Handbook(s) extant for the relevant period, the Academies Accounts Direction 2021 to 2022, 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

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### Significant risks

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

Auditing Standards require us to consider:

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

The identified significant audit risks and the work performed and conclusions drawn are noted on the following pages:



## 5. Overall audit strategy

Significant risk	Explanation of the risk	Audit work performed	Conclusion
Revenue recognition (mandatory risk)	<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 Governors and academy finance staff whether they are aware of any cases of fraud occurring during the year. We also reviewed FGB and Finance &amp; Premises 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>	No significant issues arose during our sample based checks including our work on ESFA and non-ESFA income.



## 5. Overall audit strategy

Significant risk	Explanation of the risk	Audit work performed	Conclusion
Management override  (mandatory risk)	<p>The Governors and other management have the primary responsibility for the detection of fraud, as an extension of their role in preventing fraudulent activity. Governors 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>
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> <p>You have instructed the actuary to prepare the FRS 102 report using their default assumptions</p>



## 5. Overall audit strategy

Significant risk	Explanation of the risk	Audit work performed	Conclusion
Regularity and propriety of income and expenditure	<p>As set out on page 9 we are required to obtain limited assurance about whether the expenditure disbursed and income received by the trust during the financial year have been applied to the purposes intended, and whether the financial transactions conform to the authorities which govern them.</p> <p>The Academies Accounts Direction lists the following matters which apply to the trust which may potentially trigger an increased likelihood of irregularity in an established academy trust:</p> <ul style="list-style-type: none"> <li>• culture (attitude and values) within the academy trust;</li> <li>• a change in accounting officer, principal finance officer or significant changes in the board of trustees;</li> <li>• changes to the scheme of delegation or major accounting systems.</li> </ul> <p>Regularity also covers compliance with the Academies Financial Handbook which contains a significant number of 'must' requirement which the trust needs to adhere to.</p>	<p>Review of systems in place to ensure that there are financial controls in place that comply with guidelines in the Academies Accounts Direction.</p> <p>We have asked the Accounting Officer to complete a regularity checklist and AFH questionnaire asking for confirmation of compliance with Annex C 'musts'. 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 AFH questionnaire, the work undertaken to verify the responses provided, and our consideration of the regularity and propriety of transactions selected for our sample based testing, we are satisfied that the conclusion reached in our regularity assurance report is appropriate.</p> <p>We have not noted any instances of non-compliance with the AFH.</p>




## 5. Overall audit strategy

Significant risk	Explanation of the risk	Audit work performed	Conclusion
Related and connected parties	<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"> <li>• declarations of business interests have been completed by those in a position to influence the academy trust, including key staff;</li> <li>• contracts with connected parties have been procured following the academy trust's procurement and tendering process;</li> <li>• where contracts are entered into or renewed the academy trust has obtained statements of assurance (confirming no profit element was charged) and the academy trust has followed their internal processes in reviewing this;</li> <li>• the academy has requested, under the open book arrangement, a clear demonstration that the charges do not exceed the cost of supply;</li> <li>• any trustees who provide consultancy services to the academy are not receiving a profit for their services and the correct procurement and tendering process is being followed;</li> <li>• no connected party gains from their position by receiving payments under terms that are preferential; and</li> <li>• if employees are providing external consultancy that the income is being received into the academy's accounts if the work was performed within the academy's normal working hours.</li> <li>• relevant new related party contracts of other agreements entered into post 1.4.2019 have been notified to the ESFA in advance, and that pre-approval has been obtained for any such transactions in excess of £20,000 (including cumulatively in the year).</li> </ul>	<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>Any correspondence with the ESFA during the year and post year end period was reviewed to identify and instances of non-disclosure of related party transactions.</p> <p>We have requested written management representations from you confirming the full disclosure of related party transactions.</p>	<p>A number of related party transactions have taken place between the trust and parties connected to the Governors during the year.</p> <p>Based on the work undertaken, we have not identified concerns over the completeness of related party transaction disclosures.</p> <p>We did however identify one instance where pre-approval had not been sought in advance from the ESFA regarding a related party transaction in excess of £20,000.</p> <p>We will obtain written representations from you also, asking the Board and to confirm their satisfaction with the completeness of the disclosures made.</p>



## 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.

	Issue raised in prior year	Priority prior year	Solution suggested in prior year	Follow up comments / further action required	Priority now
	It was noted that the leadership staff costs codes included postings of costs for staff with teaching duties.		The guidance for the chart of accounts explains that costs for staff with teaching duties should be posted to teaching staff costs with the exception of the head teacher in the event that the head teacher has teaching duties.	Postings are now been made correctly. No further action required.	



## 7. Recommendations for the current year

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### 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 deficiencies in internal control

We also bring to your attention other deficiencies that came to our attention during our work, again along with our recommendations, and your own response:



Med

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



Low

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



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

	Priority	Area	Observation	Recommendations	Management response
		Post year end audit information	Due to the school transferring into a CMAT from 1 September 2022 the accounting information relating to the post year end period was no longer held by the school. As a result, the audit information that we required was not available at the start of the audit or in a timely fashion during our audit work.	This will not be an issue for the year ended 31 August 2023 as the school will be audited as part of the CMAT.	
		Related party transactions	It was noted during a review of correspondence with the ESFA that a declaration had not been made to the ESFA in advance of the school contribution of £23,932 being paid to the Diocese of Hallam for the school year 2021/22	The school must report all contracts and other agreements with related parties that exceed £20,000 to the ESFA in advance of the contract or agreement commencing, as noted in paragraph 5.42 of the Academy Trust Handbook.	



# Appendix I – Adjustments made in the preparation of the financial statements

The following adjustments were made in the preparation of the financial statements from the management accounts following receipt of the report from the actuaries on the South Yorkshire Pension fund and an adjustment to the Masters deferral following the enrolment of more students following the original draft position:

Journal	Ref	Nominal code	Description	Dr	CR	Effect on (surplus)/ deficit
Surplus per client's draft accounts						179,757
		97A	02 Current service cost		596,000	
		97A	21 Interest		232,000	
		97A	62 Member contributions		84,000	
		97A	31 (Gain)/loss on assumptions	5,577,000		
		97A	61 Benefits/transfers paid	175,000		
		97A	01 Pension liabilities b/f		8,151,000	
		350	Current service cost	596,000		596,000
		358	Interest	232,000		232,000



## Appendix I – Adjustments made in the preparation of the financial statements

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<b>365</b>		(Gain)/loss on assumptions	5,577,000	(5,577,000)
<b>97D</b>	<b>21</b>	Interest	140,000	
<b>97D</b>	<b>31</b>	Remeasurements	279,000	
<b>97D</b>	<b>21</b>	Admin expenses	19,000	
<b>97D</b>	<b>41</b>	Employer contributions	268,000	
<b>97D</b>	<b>62</b>	Member contributions	84,000	
<b>97D</b>	<b>61</b>	Benefits/transfers paid	175,000	
<b>357</b>		Interest	140,000	(140,000)
<b>364</b>		Remeasurements	279,000	279,000
<b>357</b>		Admin expenses	19,000	19,000
<b>372</b>		Employer contributions	268,000	(268,000)
<b>97D</b>	<b>01</b>	Pension assets b/f	8,151,000	

**Being Pension movements**



# Appendix I – Adjustments made in the preparation of the financial statements

## Client's post draft adjustments

<b>627</b>	Land & Buildings depn charge	262,453		
<b>240</b>	Land & Buildings depn charge		262,453	(262,453)
<b>626</b>	Land & Building depn b/f	144,801		
<b>620</b>	Land & Building cost b/f		407,254	
<b>455</b>	Inherited fixed asset fund	313,088		
<b>450</b>	Capital grants fund		33,300	
<b>459</b>	Capital expenditure from GAG		17,335	

### Being prior year adjustment to remove building improvements capitalised

<b>715</b>	Bad debt provision	2,188		(2,188)
<b>22101</b>	Bad debt		2,188	
	Being adjustment as debt now collectable			

Surplus per final accounts  
including actuarial losses on  
pension

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(4,943,884)



## Appendix II– Summary of financial performance position

Based on the audited financial statements, **the trust's total reserves increased by an amount of £4,947k** (2021: decreased by £94k) during the year. This total movement on funds is shown in the main statutory financial statements on the Statement of Financial Activities.

Excluding movements on tangible fixed assets, the LGPS defined benefit pension liability, and other non-recurring items, **the trust's "operational" surplus on revenue funds for the year was £76k** (2021: £520k surplus), as reconciled below.

		2022 (£000s)	2021 (£000s)
Overall net movement in funds for the year per SOFA		4,947	(74)
Decrease attributable to fixed asset fund	See A	5	4
LGPS actuarial (gain)/loss	See B	(5,298)	264
LGPS service and interest costs	See B	439	338
<b>Operational surplus on revenue funds after transfers to capital</b>		<b>93</b>	<b>532</b>
Less: Transfers from capital to revenue in respect of expenditure not capitalised		(17)	(12)
<b>Operational surplus on revenue funds before transfers to capital</b>		<b>76</b>	<b>520</b>

**Note A** - The movement on restricted fixed asset funds comprises capital grant income received during the year less depreciation charged on capitalised assets purchased from such funds. 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 and (iii) past service costs for additional benefits granted during the year which included the adjustment for McCloud. Again since the LGPS movement do not relate to operational matters these have been excluded from the operational result.



## Appendix II– Summary of financial performance 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)
<b>Total funds</b>		2,765		(2,182)
<b>Split between:</b>	Restricted funds	(311)		(4,906)
	Unrestricted income funds	3,076		2,724
<b>Revenue income funds</b>	Restricted funds	68		327
	Unrestricted funds	3,076		2,724
<b>(1) Total revenue income funds</b>		<b>3,144</b>		<b>3,051</b>
<b>(2) LGPS pension reserve</b>		<b>(424)</b>		<b>(5,283)</b>
<b>Restricted fixed asset funds</b>	Net book value of fixed asset	45		50
	Unspent capital grant money	-		-
<b>(3) Total fixed asset funds</b>		<b>45</b>		<b>50</b>

### 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.



## Appendix II– Summary of financial performance position

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**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 a basis other than going concern basis to prepare the financial statements is appropriate.

### Benchmarking of key ratios

In early 2023 we will be preparing our 11<sup>th</sup> 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 800 academies and we anticipate our report based on 2021/22 results will cover even more.



# Appendix III – Unadjusted audit differences

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

	Increase/(decrease) in deficit £
1. Underprovision of accruals	<u>4,935</u>





# 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.

