

**Shaw Ridge
Primary School
Audit Findings
Report**

Year ended 31 August 2023

Introduction

Purpose of this report

The purpose of this report is to highlight the key findings from the preparation and audit of Shaw Ridge Primary Schools financial statements for the year ended 31 August 2023. It should be read in conjunction with the draft Financial Statements.

This report to management is used to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

The matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the academy.

In consequence, our work did not encompass a detailed review of all aspects of the systems and controls and cannot be considered to report all irregularities or all possible improvements in internal control that a more extensive and directed examination might identify.

We take responsibility for this memorandum, which has been prepared on the basis of the limitations set out throughout the report. We would like to take this opportunity to express our thanks to the finance team for their assistance during our audit.

Strictly private and confidential. Note: This is a draft report issued in advance of the completion of our work. The comments in this draft report are subject to modification or withdrawal, and there may be further material matters which arise after this draft.

Confidentiality

This report has been prepared for the trustees of Shaw Ridge Primary School and whilst it has been made available to management to facilitate discussions, it may not be taken as altering our responsibility to Shaw Ridge Primary School arising under our engagement letter.

We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Ethical standards

Albert Goodman LLP has procedures in place to ensure that its partners and professional staff comply with both the Ethical Standards and the Guide to Professional Ethics issued by The Institute of Chartered Accountants in England and Wales.

Introduction

Trustees' responsibilities

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

Under the provision of the Companies Act, the Trustees' Report is required to include a statement confirming for each trustee who was a trustee at the time of the approval of the financial statements that:

- They have each taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- So far as they are aware there is no relevant audit information of which the company's auditor is unaware.

Status of the audit

Our audit is complete subject to the receipt of signed letters of representation.

Subject to these, we can confirm that we anticipate issuing an unqualified opinion on the financial statements.

Audit and financial reporting issues

Later in this report we present our findings in relation to certain key areas of the audit. This is not a comprehensive report of all our work completed and issues considered but is designed to be informative on certain areas which we feel would be helpful to you as trustees when reviewing the financial statements.

In the conduct of our audit, we have not identified anything of such significance that required amendment to our overall audit plan.

Key accounting information

Statement of Financial Activities (“SOFA”)

To help you compare the SOFA year on year we have provided the following breakdown:

	2023 £'000	2022 £'000
Surplus / (deficit) per SOFA	(47)	897
LGPS valuation adjustments	11	(946)
Depreciation	111	111
Capital income	(48)	(9)
Transfers to capital	-	-
Comparable surplus/ (deficit)	27	53

Funds (reserves) carried forward

Excluding pension and fixed asset reserves, your year-end ‘spendable’ funds are:

Funds	2023 £'000	2022 £'000	2021 £'000
Unrestricted (general)	118	118	118
Restricted (general)	124	88	35
Total	242	206	153

The current ESFA guidance is that an academy should retain a revenue reserve equivalent to one month’s salary costs which equates to approximately £130,000.

Budget forecast return

Below we have summarised the 3 year budget as submitted to the ESFA in July 2023:

Funds	2024 £'000	2025 £'000	2026 £'000
Total income	2,192	2,295	2,405
Total costs	2,192	2,262	2,376
In year surplus / (deficit)	0	33	29
Reserves carried forward	195	228	257

A useful resource

Operating an academy trust as a going concern - <https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/operating-an-academy-trust-as-a-going-concern>

Key accounting information

LGPS balance

The movement in the LGPS balance has been included in the draft financial statements based on the actuarial valuation as at 31 August 2023. The three year trend has been as follows:

Deficit	2023 £'000	2022 £'000	2021 £'000
LGPS	-	20	(926)

In the 2022-23 financial statements the academy has recognised an **actuarial loss of £11,000 in the Statement of Financial Activities** which is based on the actuarial report provided.

This value however is capped to bring the pension asset down to a £nil value within the financial statements.

The criteria for recognition of an asset within the accounts is more difficult to meet than that of a liability, and there is a specific piece within accounting standard (FRS102 paragraph 28.22) which says:

“An entity shall recognise a plan surplus as a defined benefit asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.”

The only possibility of a refund is where you are the verge of cessation, and it is, in our view, sufficiently unclear whether there will be reduced future contributions as a result of the surplus.

For that reason, we have taken the decision to recognise the gain on the pension to the point of a 0 position within the balance sheet (i.e., not recognising an asset).

However, ultimately this remains a decision for the trustees. We have discussed this with the Finance Committee who have agreed with the conclusion that the asset should not be recognised.

We do have a more detailed briefing available if this would be helpful.

Trustees' remuneration

We bring to your attention the following note in the financial statements which is a requirement of the AAD:-

9 Related party transactions - trustees' remuneration and expenses

One or more trustees has been paid remuneration or has received other benefits from employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their role as trustees. The value of trustees' remuneration and other benefits was as follows:

S Cowell (Headteacher):

Remuneration: £75,000 - £80,000 (2022 - £75,000 - £80,000)
Employer's pension contributions: £15,000 - £20,000 (2022 - £15,000 - £20,000)

L Bailey (Teacher (appointed 17/09/2021)):

Remuneration: £30,000 - £35,000 (2022 - £25,000 - £30,000)
Employer's pension contributions: £5,000 - £10,000 (2022 - £5,000 - £10,000)

L Westlake (School administrator (appointed 8 September 2020)):

Remuneration: £15,000 - £20,000 (2022 - £10,000 - £15,000)
Employer's pension contributions: £0 - £5,000 (2022 - £0 - £5,000)

During the year ended 31 August 2023, travel and subsistence expenses totalling £Nil (2022 - £Nil) were reimbursed or paid directly to trustees (2022 - 0).

Other related party transactions involving the trustees are set out in note 23.

Key accounting information

Related parties transactions

We bring to your attention the following note in the financial statements which is a requirement of the AAD:-

23 Related party transactions

Owing to the nature of the academy trust and the composition of the board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest.

There were no related party transactions in the year, other than certain trustees' remuneration and expenses already disclosed in note 9.

Expenditure related party transactions

During the year the academy made the following related party transactions:

Millbrook Primary School

(Member of Link Academies Collaborative Trust)

Recharge of expenditure totalling £4,450.

In entering into the transaction, the academy trust has complied with the requirements of the Academies Financial Handbook 2022.

At the balance sheet date the amount due to Millbrook Primary School was £Nil (2022 - £Nil).

Peatmoor Community Primary School

(Member of Link Academies Collaborative Trust)

Recharge of expenditure totalling £321.

In entering into the transaction, the academy trust has complied with the requirements of the Academies Financial Handbook 2022.

At the balance sheet date the amount due to Peatmoor Community Primary School was £Nil (2022 - £Nil).

Underspend of capital funds

At the year end, Shaw Ridge currently have ~£29k of unspent capital funding. Consideration should be given about how Shaw Ridge wish to spend this, and we would recommend that you engage with Grove regarding this.

Significant findings from our audit

We comment below on the key risks, judgements and other matters that we consider should be highlighted to you in relation to the financial statements identified during our audit

1. Academies Accounts Direction (“AAD”)

The AAD is a guidance pack for academy trusts and their auditors to use when preparing academy annual reports and financial statements. It is updated every year.

There have been no significant changes to the format of the financial statements this year and the draft financial statements are compliant with the AAD 2022-23

2. Related party disclosures

We have reviewed academy structure and worked with management to identify related parties arising from related entities.

Based on the requirements of FRS102, AAD 2022-23 and the SORP 2019 we have concluded that the financial statements disclosure is appropriate and sufficient.

3. Key accounting policies

We have reviewed the appropriateness of all accounting policies and through our normal work have confirmed that they have been consistently applied throughout the year.

4. Fund Accounting

The different sources of funds included in the financial statements are :

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education and Skills Funding Agency where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the funders and Department for Education.

5. Significant accounting estimates and judgements

The financial statements include the actuarial valuation of the LGPS deficit as disclosed in the accounting policies.

Significant findings from our audit

6. Going concern

Going concern is a fundamental accounting concept for the preparation of financial statements. As trustees you are required to consider all available information about the future when concluding whether the academy is a going concern at the date you approve the financial statements. Your review should usually cover a period of at least twelve months from the date of the approval of the financial statements.

You should make balanced, proportionate and clear disclosures about going concern for the financial statements to give a true and fair view.

When considering the Going Concern position this year, the trustees will need to consider the updated budget position. Whilst the Budget Forecast Return provides a good basis for your assessment, as trustees you need to consider the financial information available at the date of approval of the financial statements.

The ESFA provides the following guidance which you should consider:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/operating-an-academy-trust-as-a-going-concern>

As a result of Shaw Ridge Primary School confirming to be joining Grove Learning Trust within 12 months of the date of signing the financial statements, there are specific disclosures made within the accounts to highlight this.

7. Letters of representation

In accordance with normal audit practice we will ask you for specific confirmation on various matters relating to our audit of the financial statements. Drafts of these letters are included.

Significant findings from our audit

8. Subsequent events

No subsequent events requiring adjustment or disclosure have been noted from our discussions with you, or from the review of post year end information that has been made available to us, other than those already disclosed.

A common subsequent disclosure for academies is any changes to Multi Academy Trust status. For example, choosing to join another trust or further schools joining your trust. Please confirm there are no changes.

9. Fraud/indications of fraud

In accordance with International Auditing Standards (ISA's) our audit work is designed to give a reasonable expectation of detecting material misstatements whether due to fraud or error.

We have not identified any indications of fraud as part of the audit process.

10. Laws and regulations

No specific instances of breaches of laws and regulations have come to our attention during the course of the audit.

11. Trustees' Report and Governance Statement

The format of the Trustees' Report and Governance Statement remain in line with last year. The only major changes this year is within the Governance Statement. The below is an extract from the Academies Accounts Direction 2022-23:

Value for Money statement

Academy trusts are free to decide how to set out these examples, which should be concise and focussed on the information that is most relevant and appropriate to the academy trust, emphasising those issues that had the greatest impact on the academy trust's use of resources. Up to three brief examples should be sufficient.

In particular, accounting officers should consider demonstrating how they have effectively used relevant funding to ensure the trust's estate is safe, well-maintained, and complies with relevant regulations. (New requirement in 2023)

Audit adjustments

UNADJUSTED ITEMS

Below are all the unadjusted misstatements determined during the course of our audit; except for those we consider to be clearly trivial. Please advise us of your proposed treatment of these and, where they are not to be adjusted, the reasons therefore.

We have no unadjusted items to report on.

Audit adjustments

ADJUSTED ITEMS

All items adjusted during the course of our audit are set out in detail below:

	£	£
Profit / (loss) per management accounts		67,821
Increases in profit		
Capitalisation of Hut expenditure	8,000	
Capitalisation of smartboards	11,593	
Reverse deferred MSAG	24,867	
	<hr/>	44,460
Reductions in profit		
Depreciation charges	110,164	
Bring in PY invoice not accrued	18,564	
AG Accountancy accrual	10,100	
Pension adjustments	20,000	
	<hr/>	(158,828)
		<hr/>
Surplus / (Deficit) per financial statements		<u><u>(46,547)</u></u>

Internal controls

Accounting system and internal control

We set out below certain potential improvements to the academy's processes and controls which we noted during our audit work and which we believe merit being reported to you.




Our evaluation of the systems and controls was carried out for the purposes of our audit and accordingly is not intended to be a comprehensive review of the academy's processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

The academy's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the trustees that it has done so. We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues by significance/priority before any corrective actions are taken. We have included as a separate section a brief update on the matters we raised last year.

Key findings

Below are the draft management letter points. Our findings are prioritised as follows:


- Low priority 
- Medium priority 
- High priority 

Management letter of recommendation

Priority	Observation and implication	Recommendation	Management comment
●	<p>Companies House records (2023) Andrew Morton is still showing as an active Trustee on Companies House despite resigning from post on 31st August 2023 per GIAS.</p>	<p>Ensure companies house is updated at the same time GIAS is updated.</p>	<p>This has been updated in November 2023.</p>




Management letter of recommendation

Prior year points now cleared

Priority	Observation and implication	Recommendation	2023 Update
	<p>Internal audit (2022) The academy did not receive any internal scrutiny reports during 2021-22 which is not in line with the Academy Trust Handbook(paragraph 3.3).</p> <p>Under the Academy Trust Handbook, the academy has the following options (paragraph 3.17):</p> <ul style="list-style-type: none"> - Employ an in-house internal auditor; - Buy in internal audit service from a firm, organisation or individual with professional indemnity insurance - A peer review by the CFO from another academy trust. The trust should satisfy itself that the trust supplying the reviewer has a good standard of financial management and governance and should minute the basis for its decision. The peer reviewer should be independent of the trust. 	<p>Ensure internal scrutiny reviews are taking place with reports received</p>	<p>The academy now has a programme in place to conduct an internal audit which will be completed within the 22-23 financial year.</p>

Management letter of recommendation

Prior year points now cleared

Priority	Observation and implication	Recommendation	2023 Update
	Monthly management accounts (2021) It was seen that detailed budget to variance reports were produced each month for the trustees. Whilst these were completed to a good standard, there was no balance sheet to accompany these. This is not in accordance with section 2.21 of the Academies Financial Handbook.	Given the size of the academy, an accompanying trial balance to go with the reports already generated would be recommended to give additional details on the financial statements.	An accompanying report showing balance sheet values will be sent alongside the budget to variance reports.
	Financial statements (2021 and 2022) Only the 2017 financial statements are available on the academies website. The prior two years should be readily available.	Ensure the prior two years are present on the academies website.	This has now been corrected – The website was redesigned during the year and therefore documents were not initially placed back on the website.
	Trustees attendance records (2021) It was identified that trustees attendance records at board meetings were not available on the schools website which is not in accordance with the Academies Financial Handbook.	Ensure the trustees attendance records are updated and kept up to date throughout the year.	This has now been corrected – The website was redesigned during the year and therefore documents were not initially placed back on the website.

Independence

Ethical standards require us to give you full and fair disclosure of matters relating to our independence. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required to, or wish to draw to your attention. We have complied with the FRC's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

As a result of following the ethical standards we must identify various 'threats' to our independence and objectivity as detailed in the standards and then determine what procedures or 'safeguards' are required to deal with these 'threats'. We have assessed the way in which we provide our services to you and have determined that 'threats' to our independence and objectivity arise from preparing the statutory accounts and tax computations from the accounting records of the academy.

The procedures or 'safeguards' we have implemented to ensure we maintain our independence and objectivity appropriately are:

- The financial statements are prepared from the accounting records. Where there are any decisions relating to the treatment of items in the financial statements and any adjustments that are considered necessary these are explained to you so that you can make an informed decision as to the treatment to be adopted.
- The corporation tax return (when required) is prepared from the accounting records. Where there are any decisions relating to the treatment of items on the tax return these are explained to you so that you can make an informed decision as to the treatment to be adopted.

Our overall assessment is that our procedures are sufficient to mitigate any actual or perceived threats to our independence and objectivity as auditors.

Timetable and information

Filing deadlines

In respect of the year ended 31 August 2023 you are required to:

ACTION	DEADLINE
Submit the financial statements to the ESFA	31 December 2023
Submit the management letter to the ESFA	31 December 2023
Publish the financial statements on your website	31 January 2024
Submit the related accounts return to the ESFA	19 January 2024
File the financial statements with Companies House	31 May 2024

USEFUL LINKS AND INFORMATION

School resource management: top 10 planning checks for governors - <https://www.gov.uk/guidance/school-resource-management-top-10-planning-checks-for-governors>

What academies should publish online - <https://www.gov.uk/guidance/what-academies-free-schools-and-colleges-should-publish-online>

Schools financial benchmarking - <https://schools-financial-benchmarking.service.gov.uk/>

Guidance on managing public money - <https://www.gov.uk/government/publications/managing-public-money>

Albert Goodman Fees

Our fees in relation to the 2022 audit and proposed fees for 2023 are:

Description	2022-23 £	2023-24 £
Audit of the accounts	7,350	7,800
Statutory accounts	975	1,035
Accounts return	1,000	1,060
Teachers' Pension Audit	625	665
Submission of HMRC corporation tax return	150	160
Total	10,100	10,720

The 2023-24 fee relates to the audit that will be required when transferring to Grove Learning Trust.

Whilst the audit is for a shorter period, the level of audit work required to complete the audit does not reduce. The 6% fee is an inflationary increase.