

**PRIVATE AND CONFIDENTIAL**

# **KINGS NORTON GIRLS' SCHOOL**

## **YOUR AUDIT FINDINGS REPORT**

**FOR THE YEAR ENDED 31 AUGUST 2019**



**COOPER PARRY**

# CONTENTS

	<b>Page</b>
Executive Summary	3
Financial Overview	4
Audit Status	5
Regularity Status	6
Key Audit Risks Findings	7 – 8
Audit Adjustments	9
Internal Control Improvements	10
Appendices	
Appendix 1 – Latest Sector Developments	
Appendix 2 – How We Can Help You	

## DISCLAIMER

Our audit findings report is prepared for the confidential use of your Academy Trust and forms part of our ongoing communications under International Standard on Auditing (UK) 260 - communication of audit matters with those charged with governance. The report highlights the key matters and issues arising from our audit and regularity assurance report on the Academy Trust's financial statements for the year ended 31 August 2019.

The contents of our report have been discussed with management and their comments and responses have been included where applicable.

The matters set out in our report are those that came to our attention during the course of our normal audit and regularity assurance work, which was designed to enable us to form our opinion on the financial statements and provide our assurance report on regularity. Our work may not necessarily disclose all errors or irregularities and should not be relied upon to do so.

This report has been prepared for the sole use of the Trustees and management of the Academy Trust. We understand that you are required to provide a copy of this report to the Education & Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, our report may not, without our express written permission, be relied upon by your Academy Trust for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party.

Cooper Parry Group Limited neither owes nor accepts any duty to any other party who may receive this report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on this report.

# EXECUTIVE SUMMARY

This audit findings report sets out the key matters and issues arising from our audit and regularity assurance report on the Academy Trust's financial statements for the year ended 31 August 2019. We know this is a busy time of year so we have summarised the key aspects of our audit findings for you below. More detail on each area can be found in the rest of the report.

## AUDIT AND REGULARITY STATUS

REPORT	UNMODIFIED
Audit report on financial statements	✓
Assurance report on regularity	✓

## KEY AUDIT RISKS FINDINGS

KEY RISK	FINDINGS
Management override	No issues noted.
Income recognition	No issues noted but adjustment made to include CIF bid in year.
Fund accounting	No issues noted.
LGPS liability	No issues noted.
Related parties	No issues noted.

## FINANCIAL RESULTS AND POSITION

RESULT / POSITION	£000
Net operating surplus for the year	115
Net operating funds at 31 August 2019	663

## AUDIT ADJUSTMENTS

	REV £000	PEN £000	CAP £000
<b>Surplus per TB</b>	<b>78</b>	<b>-</b>	<b>391</b>
Audit adjustments	37	(173)	1,081
LGPS adjustments	-	(268)	-
<b>NET MOVEMENT</b>	<b>115</b>	<b>(441)</b>	<b>1,472</b>

## INTERNAL CONTROL IMPROVEMENTS

RISK	CURRENT YR	PRIOR YRS
●	NIL	NIL
●	NIL	NIL
●	NIL	NIL

## UNADJUSTED DIFFERENCES

	REV £000	PEN £000	CAP £000
Total unadjusted differences	NIL	NIL	NIL

# FINANCIAL OVERVIEW

With the specific format of Academy Trust financial statements its not always easy to understand the true underlying operating results for the year. The table below summarises the overall financial results of the Academy Trust for the year ended 31 August 2019 and how these are reported in the financial statements:

FUNDS	UNREST'D £000	REST'D £000	PENSION £000	CAPITAL £000	TOTAL £000
Income	143	5,170	-	1,568	6,881
Expenditure	(109)	(5,089)	(173)	(96)	(5,467)
<b>SURPLUS / (DEFICIT)</b>	<b>34</b>	<b>81</b>	<b>(173)</b>	<b>1,472</b>	<b>1,414</b>
Transfers between funds	-	-	-	-	-
LGPS actuarial movement	-	-	(268)	-	(268)
<b>NET MOVEMENT</b>	<b>34</b>	<b>81</b>	<b>(441)</b>	<b>1,472</b>	<b>1,146</b>
Funds brought forward	434	114	(1,362)	3,960	3,146
<b>FUNDS CARRIED FWD</b>	<b>468</b>	<b>195</b>	<b>(1,803)</b>	<b>5,432</b>	<b>4,292</b>

The overall net operating surplus for the year is **£115,000** which is made of the surplus of £34,000 on unrestricted funds and the surplus of £81,000 on restricted funds.

The overall operating reserves at 31 August 2019 are **£663,000** which are represented by the funds carried forward of £468,000 on unrestricted funds and of £195,000 on restricted funds.

We have ringfenced £23,000 of the unrestricted fund for committed expenditure for purchasing the fixtures and fittings in relation to the Sixth Form build.



# AUDIT STATUS

## OUR AUDIT APPROACH

There were no changes to our audit approach as previously set out to you in our audit plan dated 5 October 2019.

## INDEPENDENCE

We have complied with the Financial Reporting Council's Ethical Standard for Auditors and all threats to our independence, as set out to you in our audit plan dated 5 October 2019, have been properly addressed through appropriate safeguards.

No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

## OUR AUDIT REPORT

Our audit fieldwork is complete and we have had an audit clearance and completion with the Business Manager and Accounting Officer on 22 November 2019 where we reviewed the draft financial statements and discussed our audit findings including the contents of this report.

We anticipate issuing an unmodified audit report on the financial statements:



# REGULARITY STATUS

## OUR REGULARITY ASSURANCE APPROACH

Our regularity assurance engagement was carried out in accordance with the requirements of the Academies Accounts Direction 2018 to 2019 issued by ESFA. The regularity assurance engagement is a limited assurance engagement. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion on regularity.

There were no changes to our regularity assurance approach as previously set out to you in our audit plan dated 5 October 2019.

## OUR REGULARITY ASSURANCE REPORT

Our regularity work is complete and we have had an regularity clearance and completion with the Business Manager and Accounting Officer on 22 November 2019 where we discussed our regularity assurance findings including the contents of this report.

We anticipate issuing an unmodified regularity assurance report.

# KEY AUDIT RISKS FINDINGS

We have concluded on each of the following key audit risks as detailed in audit plan as follows.

## MANAGEMENT OVERRIDE OF ACCOUNTS

### KEY AREA OF AUDIT FOCUS

Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or bypass of controls cannot be eliminated by the implementation of controls.

### OUR FINDINGS

No material issues arose from our work.

## INCOME RECOGNITION

### KEY AREA OF AUDIT FOCUS

The Academy Trust receives significant levels of grant funding which should be recognised in accordance with the recognition criteria set out in the Charities SORP 2015 and Academies Accounts Direction.

### OUR FINDINGS

No material issues arose from our work.

We adjusted the financial statements for an additional £359,000 in relation to CIF funding received after 31 August 2019. The accounting policies state that capital grants are fully receivable when the academy trust are entitled to the grant.

## FUND ACCOUNTING

### KEY AREA OF AUDIT FOCUS

The majority of the Academy Trust's income streams, including the GAG income, have specific terms and conditions attached, governing the use and application of the funding. Accordingly, there is a risk that restricted funds could be incorrectly recognised and disclosed.

### OUR FINDINGS

No material issues arose from our work.



# KEY AUDIT RISKS FINDINGS

## RETIREMENT BENEFITS

### KEY AREA OF AUDIT FOCUS

The Local Government Pension Scheme (LGPS) liability is a significant balance sheet item. The amount recognised is based on a valuation undertaken by an actuary. The actuary also provides the disclosure for inclusion in the financial statements.

### OUR FINDINGS

No material issues arose from our work.

## RELATED PARTY TRANSACTIONS

### KEY AREA OF AUDIT FOCUS

There are specific rules and requirements contained within the Academies Financial Handbook (AFH) and Academies Accounts Direction (AAD) relating to related party transactions, and this is also an area of increasing focus and scrutiny by the ESFA.

### OUR FINDINGS

No material issues arose from our work.

## GOING CONCERN

### KEY AREA OF AUDIT FOCUS

It is the responsibility of Trustees' to assess the ability of the Academy Trust to continue as a going concern for a period of not less than twelve months following the anticipated date of sign off of the financial statements.

### OUR FINDINGS

No material issues arose from our work.





# AUDIT ADJUSTMENTS

From our audit work we identified certain misstatements in the financial statements. These have been discussed with the Business Manager and all of them have been adjusted for in the financial statements as follows:

	REVENUE £000	PENSION £000	CAPITAL £000
Surplus / (deficit) per pre-audit trial balance	82	-	384
Audit adjustments for:			
Capitalisation of Sixth Form asset under construction	-	-	825
Change in pension deficit prepayment	(20)	-	-
Capitalisation of other assets included within SOFA	53	-	-
Depreciation charge for the year	-	-	(96)
Additional accrued income for CIF income	-	-	359
Capitalisation of retention liability for work completed	-	-	-
LGPS pension cost charges per FRS102 report	-	(173)	-
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>115</b>	<b>(173)</b>	<b>1,472</b>
LGPS actuarial movement in the year per FRS102 report	-	(268)	-
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>	<b>115</b>	<b>(441)</b>	<b>1,472</b>




## UNADJUSTED DIFFERENCES

There were no unadjusted differences identified from our completed audit procedures.




# INTERNAL CONTROL IMPROVEMENTS

Our audit work included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate for the purposes of our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses.

The matters reported below are limited to those areas identified during the audit where internal control improvements are recommended, including any improvements recommended in prior years.

RISK GRADE	CURRENT YEAR	PRIOR YEARS
	NIL	NIL
	NIL	NIL
	NIL	NIL

The detailed internal control improvement recommendations, have been graded based our assessment of their potential risk to the Academy Trust according to the following grading system.

RISK GRADE	DESCRIPTION
	High Risk: The improvements recommended are so fundamental to the system of internal control that action should be taken immediately to minimise the risk of material misstatement.
	Medium Risk: The improvements recommended have an important effect on the system internal control such that a lack of action could lead to a material misstatement.
	Low Risk: The improvements recommended would improve the system internal control generally in line with good practice, but are unlikely to lead to a material misstatement.

No internal control recommendations have been made during the course of the audit.



# THANK YOU

## WEST MIDLANDS

Park View  
One Central Boulevard  
Blythe Valley Park  
Solihull  
B90 8BG

## EAST MIDLANDS

Sky View  
Argosy Road  
East Midlands Airport  
Derby  
DE74 2SA

## LONDON

We Work  
Moor Place  
1 Fore St Avenue  
London  
EC2Y 9DT

## SOUTH WEST

Framework  
35 King Street  
Bristol  
BS1 4DZ

Call: 01332 411 163

Email: [advice@cooperparry.com](mailto:advice@cooperparry.com)

**COOPER PARRY**



# APPENDIX 1

## KEY SECTOR DEVELOPMENTS

### INCREASED FOCUS ON INTERNAL SCRUTINY

One of the key changes in the Academies Financial Handbook (AFH) from 1 September 2019 was the continuing tightening up on expectations and requirements around internal scrutiny. The key points are:

- All Trusts **must** now have an Audit Committee, although if your income is less than £50m you can combine this with another Committee (like a Finance Committee).
- The Audit Committee **must** direct the programme of internal scrutiny, including reporting to the Trustees on the outcomes, and the work should be informed by the Trust's risk register.
- All Trusts **must** submit an internal scrutiny summary report to the ESFA each year, outlining the areas reviewed, the key findings and recommendations.

### FRAUD

The ESFA have published guidance on reducing fraud and potential indicators of fraud following an increased incidence of attacks on education providers. The guidance can be found using the links below:

[www.gov.uk/guidance/academies-guide-to-reducing-any-risk-of-financial-irregularities](http://www.gov.uk/guidance/academies-guide-to-reducing-any-risk-of-financial-irregularities)

[www.gov.uk/government/publications/indicators-of-potential-fraud-learning-institutions](http://www.gov.uk/government/publications/indicators-of-potential-fraud-learning-institutions)

### ESFA GOOD PRACTICE GUIDES

The ESFA have also published several guides on a range of financial management topics to support Trusts and Trustees to meet expectations around governance and regularity. The complete set is available on the ESFA website at:

[www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides](http://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides)

### SCHOOL RESOURCE MANAGEMENT SELF-ASSESSMENT TOOL (SRMSAT)

From September 2019, all Academy Trusts **must** complete the SRMSAT on an annual basis. This is intended to provide an overview of the financial controls and governance in the Trust. For 2019, the completed return must be submitted to the ESFA by **14 November**. The return comprises a checklist – based on the requirements of the AFH and best practice – and a dashboard. Only the checklist is required to be submitted to the ESFA. The dashboard, which provides some benchmark comparisons for your Trust, must be completed to answer the final question in the checklist. ESFA guidance is available here:

<https://www.gov.uk/government/publications/school-resource-management-self-assessment-tool>

### FINANCIAL MANAGEMENT AND GOVERNANCE SELF-ASSESSMENT (FMGS)

The FMGS has been updated to reflect recent changes in the AFH. New academies must now complete this form within **2 months of conversion** (it was 4 months previously). For existing MATs bringing in new schools, with the new SRMSAT return requirement from 2019, they will no longer need to complete the alternative assurance report previously required.

# APPENDIX 2

## HOW WE CAN HELP YOU

### OUR AUDIT AND ASSURANCE SERVICE TO YOU

At Cooper Parry we look to 'Disrupt, Lead and Make Life Count'. This is how we see the world. We build relationships with our clients that break the mould. And we're never afraid to give our opinion. Why? Because that's how we help our clients flourish financially and achieve their goals.

Our dedicated not-for-profit team has a huge amount of experience of working with and advising Academy Trusts. We recognise that every Trust is different with its own special requirements and our approach is to provide a bespoke service that matches this. Some of the extra things we offer throughout the year **free of charge** are:

- A telephone and email helpline for the Accounting Officer and Chief Finance Officer through the year.
- Seminars, forums and networking events throughout the year.
- Regular e-shots and updates on relevant sector developments and issues.
- Use of our award winning offices for your own events or Board meetings.

### OTHER WAYS WE CAN HELP YOU

We are able provide a diverse range of other services which you may not be aware of but which are all here to help you, whatever stage or position you are in.

- ESFA reporting: we can help with the preparation of the BFRO, BFR and other returns required by the ESFA.
- Internal assurance and scrutiny services: we can provide concentrated reviews and testing of specific areas within a Trust based on key areas of risk as assessed by the Trustees. We have preferred partners in estates management, Pick Everards, who can also help with this service.
- Strategic support and advice: we can assist with financial due diligence for academy transfers and mergers, Integrated Curriculum Financial Planning reviews, advice on growth plans and structures, advice on centralised services and structures including GAG pooling and assistance in accounting system or other software selection and implementation.
- Governance reviews: we can assist in undertaking governance reviews and assessing the effectiveness of governance structures, including assisting in putting in place best practice structures.
- Training: we can provide sector updates and training for finance teams and training for Trustees and Accounting Officers on the financial roles and responsibilities.
- Taxation advice: we can advise on maximising the benefits and minimising the costs of the direct tax and indirect tax (VAT) regimes, including considerations for establishing trading subsidiaries.

If you are interested in any of these areas, then please speak to either Simon or James and well arrange a convenient time to come and talk to you or your management team.