

KINGS NORTON GIRLS' SCHOOL **YOUR AUDIT FINDINGS REPORT**

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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 2020.

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 Governors 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.



YOUR AUDIT FINDINGS REPORT EXECUTIVE SUMMARY

DEAR GOVERNORS

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 2020. 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
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Opinion on the audit report in the financial statements ✓

Assurance report on regularity in the financial statements ✓

OUTSTANDING INFORMATION

✓ Latest management accounts prior to sign off

INTERNAL CONTROL IMPROVEMENTS

RISK	CURRENT YR	PRIOR YRS
	-	-
	-	-
	3	-

KEY AUDIT RISK FINDINGS

KEY RISK	CONCLUSION
Income recognition	No issues arising
Allocation of expenditure	No issues arising
Going concern	No issues arising
Management override	No issues arising
Related party transactions	No issues arising
Retirement benefits	No issues arising

AUDIT ADJUSTMENTS

	REV £000	PEN £000	CAP £000
Surplus / (Deficit) per TB	(773)	-	553
Audit adjustments	844	-	(573)
LGPS adjustments	-	(853)	-
NET MOVEMENT	71	(853)	(20)

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

YOUR AUDIT FINDINGS REPORT

FINANCIAL OVERVIEW

FUNDS	UNRES'D £000	RES'D £000	REVENUE £000	PENSION £000	CAPITAL £000	TOTAL £000
Income	142	5,473	5,615	-	24	5,639
Expenditure	(77)	(5,401)	(5,478)	(148)	(110)	(5,736)
SURPLUS / (DEFICIT)	65	72	137	(148)	(86)	(97)
Fund transfers	(23)	(43)	(66)	-	66	-
LGPS movement	-	-	-	(705)	-	(705)
NET MOVEMENT	42	29	71	(853)	(20)	(802)
Funds brought forward	468	195	663	(1,803)	5,432	4,292
FUNDS CARRY FWD	510	224	734	(2,656)	5,412	3,490

UNPICKING THE RESULTS

With the specific format of Academy Trust financial statements, it's not always easy to understand the true underlying operating results for the year. The table above summarises the overall financial results of the Academy Trust for the year ended 31 August 2020 and how these are reported in the financial statements:

The overall net operating revenue surplus for the year is **£71,000**.

The overall operating reserves at 31 August 2020 are **£734,000**.

Fund transfers include **£23,000** from funds designated in the previous year to fund capital fixtures and fittings in the Sixth Form building. The balance of **£43,000** transferred from restricted revenue funds was to fund the excess of fixed asset additions over in-year capital grants and brought forward unapplied capital monies.

CAPITAL FUND RECONCILIATION

We have summarised the key movements in the capital fund position below:

FUNDS	B/FWD £000	INC £000	SPEND £000	TRF £000	TOTAL £000
DfC Capital Grants & Other	-	24	(87)	63	-
CIF Capital Grants	662	-	(835)	3	(170)
CASH / LOANS	662	24	(922)	66	(170)
Add NBV Fixed Assets					5,582
CAPITAL FUNDS CARRY FWD					5,412

The negative CIF balance of **£170,000** is represented by a CIF loan that is repayable over 10 years.

YOUR AUDIT FINDINGS REPORT

AUDIT AND REGULARITY STATUS

OUR AUDIT AND REGULARITY ASSURANCE APPROACH

There were no changes to our audit and regularity assurance approach as previously set out to you in our audit plan.

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, 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 AND REGULARITY ASSURANCE REPORTS

Our audit and regularity assurance fieldwork is complete and we have had a clearance and completion meeting with the Accounting Officer and Business Manager on 17 November 2020 where we reviewed the draft financial statements and discussed our audit findings including the contents of this report.

Subject to the clearance of the outstanding matters outlined below, we anticipate issuing an unmodified audit report and an unmodified regularity assurance report.

OUTSTANDING MATTERS

Prior to issuing our audit and regularity assurance reports, we require the following:

- ✓ the signed letter of representation
- ✓ other outstanding matters as detailed on the executive summary page.



YOUR AUDIT FINDINGS REPORT

KEY AUDIT RISKS

Our audit approach is risk based. During the planning process, we sought to minimise the risk of material misstatement occurring in the accounts and remaining undetected at the conclusion of our audit work.

Our focus was drawn to the following areas:

RISK	HOW ADDRESSED	CONCLUSION
<p>INCOME RECOGNITION</p> <p><i>Is income recognised in line with relevant standards and guidance?</i></p>	<ul style="list-style-type: none"> ✓ We agreed ESFA and LA income to supporting remittances and pupil census data. ✓ We reviewed capital grants to supporting award information and confirmed the point of entitlement for correct disclosure. ✓ We reviewed income types to determine whether any are deemed to be a 'trading' income type. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this risk area that need to be brought to your attention. ✓ We have concluded that income is not materially misstated in the financial statements.
<p>ALLOCATION OF EXPENDITURE</p> <p><i>Is restricted income correctly identified and expended?</i></p>	<ul style="list-style-type: none"> ✓ We ensured that expenditure was being allocated in accordance with any restrictions on each restricted fund. ✓ We reviewed the details of all ancillary costs for other grant income and other income and ensured that it is being spent from the correct source of income. ✓ We reviewed computer and repairs and maintenance expenditure to ensure that amounts were correctly accounted for as either capital or revenue expenditure. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We have concluded that expenditure is allocated appropriately in the financial statements.
<p>GOING CONCERN</p> <p><i>Is the Trust able to continue operating for at least 12 months from the date of approval of the accounts?</i></p>	<ul style="list-style-type: none"> ✓ We obtained and reviewed your 3-year forecast, with associated reserves and cashflow information, and challenged the assumptions used. ✓ We reviewed the Governors going concern conclusions and the going concern commentary that you have included in your financial statements. ✓ We considered the impact of Covid-19 on your forecasts and the impact this may have on your going concern status. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We agree with the Governors conclusion that the Trust is a going concern and we are satisfied with the disclosures in the financial statements.

YOUR AUDIT FINDINGS REPORT

KEY AUDIT RISKS (CONTINUED)

Our audit approach is risk based. During the planning process, we sought to minimise the risk of material misstatement occurring in the accounts and remaining undetected at the conclusion of our audit work.

Our focus was drawn to the following areas:

RISK	HOW ADDRESSED	CONCLUSION
<p>MANAGEMENT OVERRIDE AND BIAS</p> <p><i>Is there is any evidence of misstatement in the accounts due to management bias?</i></p>	<ul style="list-style-type: none"> ✓ We obtained a report for all journals posted to the accounting system and tested a sample to ensure they were in line with your financial procedures. ✓ We reviewed areas of significant accounting estimation including consideration of the basis of relevant management / governor assumptions. ✓ We reviewed the month end process and information provided to Governors to ensure information allows for informed timely decisions to be made in relation to the trust. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We did not identify any evidence of management override or bias in your accounting records or financial statements.
<p>RELATED PARTY TRANSACTIONS</p> <p><i>Are all related party transactions identified, approved and disclosed in the accounts?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the trust's register of interests to ensure completeness and compliance with AFH requirements. ✓ We tested all related party transactions to ensure that they have been undertaken in line with AFH requirements. ✓ We ensured that related party transactions have been appropriately disclosed in the financial statements, including governor remuneration. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We did not identify any additional related parties or transactions that require disclosure in the financial statements.
<p>RETIREMENT BENEFITS</p> <p><i>Is the local government pension scheme liability accurately accounted for and disclosed in the accounts?</i></p>	<ul style="list-style-type: none"> ✓ We obtained and reviewed a copy of the FRS 102 actuarial valuation prepared by your scheme actuaries. ✓ We reviewed the underlying data used in the valuation including a reconciliation of the contributions paid into the scheme. ✓ We benchmarked the valuation's underlying assumptions to ensure they were reasonable and in line with our expectations. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We have concluded that the LGPS liability is not materially misstated and is correctly accounted for and disclosed in the financial statements.

YOUR AUDIT FINDINGS REPORT

AUDIT ADJUSTMENTS

From our audit work we identified certain misstatements in the financial statements. These have been discussed with Clare Skinner 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	(773)	-	553
Audit adjustments for:			
Posting of 2020 depreciation charge	-	-	(110)
Reversal 2019 accrued CIF income	-	-	(359)
Reclassification of CIF loan from income to the balance sheet	-	-	(170)
Accrue of audit and accountancy fees	(12)	-	-
Reclassify computer additions posted to revenue expense code	63	-	-
Reclassify asset under construction codes posted to revenue expense code	859	-	-
Funds transfer to represent fixed assets funded by reserves	(66)	-	66
LGPS pension cost charges per FRS102 report	-	(148)	-
SURPLUS / (DEFICIT) FOR THE YEAR	71	(148)	(20)
LGPS actuarial movement in the year per FRS102 report	-	(705)	-
NET MOVEMENT IN FUNDS FOR THE YEAR	71	(853)	(20)

UNADJUSTED DIFFERENCES

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




YOUR AUDIT FINDINGS REPORT

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.

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

RISK GRADE	DESCRIPTION	CURRENT YEAR	PRIOR YEAR
	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.	3	-

YOUR AUDIT FINDINGS REPORT

CURRENT YEAR IMPROVEMENTS

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>JOURNALS - AUTHORISATION</p> <p>During our testing of journals, it was confirmed with the Business Manager that only members of the finance team can post journals (control to limit access to appropriate individuals), but there is no control or authorisation required to post large journals.</p> <p>There is a risk that inappropriate (or unauthorised) journals could be recorded in the financial system.</p>	<p>To comply with best practice, we would recommend that the Academy Trust sets authorisation limits around what journals different individuals can post or authorise.</p> <p>Embedding these system improvements will be of use if conversion from stand alone to multi academy trust status takes places, where greater financial oversight of journal transactions will be important.</p>	<p>Levels of authorisation for journal posting will be added into the school's Finance Policy. It will be split out depending on role and journal type for clarity.</p>
	<p>FIXED ASSET REGISTER</p> <p>Historically the Trust has relied on nominal ledger records in place of a comprehensive and itemised fixed asset register.</p> <p>Moving into 2020/21, it is now a "Must" requirement of the Academies Financial Handbook for the Academy Trust to maintain a fixed asset register.</p> <p>There is a risk that the Academy Trust will not be compliant with the new requirement, unless further steps are taken.</p>	<p>We recommend that an itemised fixed asset register is established (either in excel, or within an accounting module). This should record as a minimum; purchase date, purchase price, asset category, funding type, depreciation rate, cumulative depreciation brought forward and in-year depreciation charge.</p> <p>The register can then be reconciled to the accounting system as part of the month end procedures.</p>	<p>This will be set up in line with available records and using the headings recommended by Cooper Parry. It will not hold data on historic fixed assets due to a lack of available information.</p>



YOUR AUDIT FINDINGS REPORT

CURRENT YEAR IMPROVEMENTS

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>COMPLETENESS OF REGISTER OF INTERESTS</p> <p>During our testing on related parties, we identified two interests on companies house that hadn't been recorded on the Academy Trust's register of interests (in connection with two Governors).</p> <p>There is a risk that the Academy Trust may not identify all relevant conflicts of interest / related party transactions if this document isn't kept up to date.</p>	<p>Ensure any changes to the register of interests are reflected in a timely basis and communicated to the finance team.</p>	<p>This is updated annually with Governors and forms part of the agenda for all meetings. Feedback will be provided to governors to provide details of all links with other companies. The Clerk to Governors will check submissions from Governors using the method advised by Cooper Parry. Spots checks can be completed through the year as appropriate.</p>



THANK YOU

EAST MIDLANDS

Sky View
Argosy Road
East Midlands Airport
Derby
DE74 2SA

WEST MIDLANDS

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

SOUTH EAST

The Wheelhouse Loft
134 Cowley Road
Oxford
OX4 1JE

CALL: 01332 411 163

EMAIL: ADVICE@COOPERPARRY.COM

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