

**AUDIT FINDINGS FOR JOHN  
SPENDLUFFE TECHNOLOGY  
COLLEGE**

**31 AUGUST 2021**



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## 1. Introduction and coverage

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This report, to those charged with governance, summarises our key findings in connection with the audit of the financial statements in respect of the year ended 31 August 2021.

A summary of adjusted and unadjusted misstatements identified during the audit is included in sections six and seven.

We consider that the audit approach adopted will provide the directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report and pending the resolution of points noted in section four, we anticipate no modifications to our pro-forma audit report which is an unqualified report.

### Audit opinion

Based upon the work that we have conducted, coupled with discussion with senior management as to the Academy's plans and intentions, we have concluded that an unqualified audit opinion will be given.

In addition, as communicated at the planning stage, we have performed such audit work as we consider necessary in support of our opinion on the statement of regularity, propriety and compliance and can confirm that this opinion will also be unqualified.

## 2. Issues identified at the planning stage

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Set out below is an overview of those matters that we considered as part of our Audit Plan to be the key business and audit risks for the audit period, together with our proposed audit approach to these risks. We have provided comments as to how we have resolved the issues identified and their impact, if any, on the Trust's financial statements.

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Property assets</b> Property represents by far the largest single asset under the Trust's control. The audit therefore recognises the importance of confirming the Trust holds appropriate title/tenure of its premises and that they are properly reflected in the financial statements.</p>	<p>We shall perform land registry searches to confirm the school's title to/tenure of its premises and that the financial statements properly disclose this.</p> <p>The audit will also have regard to the carrying value of the premises and whether the prevailing valuation remains appropriate.</p>	<p>The Trust's tenure of its premises has been corroborated and this is appropriately disclosed in the financial statements.</p> <p>There are no material concerns over the carrying/book value of the property assets in those accounts.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Payroll</b></p> <p>Payroll costs (and incidental overheads such as pension contributions and possibly apprenticeship levy) represent the largest expense of the Trust.</p> <p>The risk is that salary and/or pension costs may be misstated or misclassified in the financial statements.</p> <p>There is also a need to identify lump sum / non-contractual payments for disclosure and ESFA regularity purposes.</p> <p>The risk that processes in place for decisions about levels of executive pay are not robust given that this is an area of increasing scrutiny.</p>	<p>The audit will reconcile stated payroll and pension costs to the payroll and FRS 102 actuarial report. We will also have regard to unusual changes in average team numbers and average remuneration to ensure there is no concealment of irregularity.</p> <p>We will also test check individual personnel details and salaries to ensure salaries are being paid at the authorised rates, and we shall examine lump sum settlement payments or similar for evidence of irregularity or breach of delegated authorities.</p> <p>Our system testing will need to place greater emphasis on the process around executive pay and how the Trust ensures they are compliant with the AFH.</p>	<p>Payroll costs have been reconciled to the payroll, with pension costs being agreed to the payroll and (in relation to LGPS members) the Local Government actuarial report.</p> <p>Satisfactory explanations have been provided for changes in team numbers and average remuneration.</p> <p>No lump sum/ non-contractual payments were paid in the year.</p> <p>Procedures around setting of executive pay were considered as part of our systems testing and they were considered to be appropriate.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p data-bbox="165 248 568 322"><b>Fraudulent and erroneous revenue recognition</b></p> <p data-bbox="165 331 568 622">Under auditing standards, this is presumed to be a high-risk area in which we need to ensure all material income due to the Academy is recognised in the accounts and in the correct period.</p> <p data-bbox="165 734 568 1249">The principal income stream is the Trust's GAG revenue. We do not consider grant recognition to be a significant risk for the Trust as there are limited incentives and opportunities to manipulate or misstate the way income is recognised. We therefore do not incorporate specific work into our audit approach over and above our standard fraud procedures.</p> <p data-bbox="165 1283 568 1462">We shall however give attention to other material income streams where the risk of revenue cut off error may be greater.</p>	<p data-bbox="593 331 995 696">Normal audit work will be performed on completeness of income (proof in total, cut off etc). However, we need to be alert to any netting off of income against expenditure that may be designed to conceal irregular expenses/payments.</p> <p data-bbox="593 730 995 1059">We shall also be alert to confirm all material sources of grant income to ensure there has been no misappropriation or misclassification of funding that may render the Trust's actions in breach of funding agreements.</p> <p data-bbox="593 1283 995 1429">We shall devise appropriate tests to examine non-grant income streams as we consider necessary.</p>	<p data-bbox="1024 331 1426 544">All material sources of grant income have been confirmed to funding statements and there are no material cut off errors that remain unadjusted.</p> <p data-bbox="1024 730 1426 875">No instances of material netting off have been identified in the accounting records.</p> <p data-bbox="1024 1283 1426 1429">No material cut off or completeness errors found from non-grant income testing</p>

Key area of audit focus/risk	Audit approach	Resolution
<p data-bbox="165 241 464 320"><b>FRS 102 retirement benefits position</b></p> <p data-bbox="165 331 560 689">The FRS 102 pension liability is a significant balance sheet item and is reliant on independent third-party valuation and which is acutely sensitive to the underlying assumptions used by the actuary to evaluate the scheme deficit.</p> <p data-bbox="165 734 560 880">The risk is that the Trust has not fully complied with the accounting treatment as required by FRS 102.</p> <p data-bbox="165 1395 560 1641">The accounting balances and disclosures reported in the financial statements may not be correct. Our audit focus will be on the FRS 102 valuation and disclosures</p>	<p data-bbox="584 331 978 611">We will undertake a review to ensure that the Trust's management have checked the data and considered the assumptions used by the actuary in preparing the FRS 102 valuation.</p> <p data-bbox="584 734 978 902">We will also obtain and review a copy of the FRS 102 actuarial valuation to support the disclosures in the financial statements.</p> <p data-bbox="584 1395 978 1574">We will compare the actuarial assumption used for this Trust with those used for other Trust clients to ensure consistent.</p>	<p data-bbox="1003 331 1433 577">The data used for the Local Government valuations appears to be materially correct and the underlying assumptions consistent with those applied to other Academies.</p> <p data-bbox="1003 734 1433 1317">The deficit attributable to the Academy has significantly increased due to a change in actuarial assumptions. This change has been driven by an increase in RPI and CPI inflation rates, in particular the RPI rate which is now calculated under a new method in line with UK Statistics Authority. The increase in obligation is offset by improved performance on global equities as the global economy recovers from the impact of Covid.</p> <p data-bbox="1003 1395 1433 1496">Assumptions used by the actuary are consistent with other academy clients.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Management override</b></p> <p>By definition this is a risk area, and the audit must recognise that the Head and possibly others in positions of control may bypass the Trust's systems of internal control in the execution of their duties and in the spending of Trust monies.</p>	<p>We will perform test checks to ensure that expenses and payments have been made in accordance with the Trust's written procedures and that their true nature is reflected in the financial statements.</p> <p>If there are other suspected or discovered irregular payments, we will discuss with the Trust how these are to be tackled (by ourselves or the ESFA).</p>	<p>Purchase invoices, payments and expenses have been reviewed to ensure expenditure is made in accordance with the Trust's system of internal control.</p> <p>No unusual or irregular transactions were noted by our work.</p>

### 3. Peripheral issues identified at planning stage

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Set out below is an overview of those matters that we considered as part of our Audit Plan to be the peripheral business and audit risks for the audit period, together with our proposed audit approach to these risks. We have provided comments as to how we have resolved the issues identified and their impact, if any, on the Trust's financial statements.

Key area of audit focus/risk	Audit approach	Resolution
<p><b>ESFA regularity audit work</b></p> <p>The risk is that non-compliance with ESFA regularity framework requirements, or specific conditions attached to funding.</p>	<p>We will review procedures and controls and test compliance with funding and other conditions in accordance with the ESFA regularity framework.</p> <p>We shall on a test basis review the amount and nature of outgoings (salaries and expenses) incurred by the Trust in the performance of its responsibilities to ensure there are no indications of misuse of public funds, waste, or extravagance.</p>	<p>The Trust's procedures and controls have been reviewed and are considered to be in accordance with the ESFA regularity framework.</p> <p>The Trust's funding agreements were reviewed and from our transactional testing there were no indications to suggest that conditions within these agreements were breached or that there was any misuse of public funds.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Funding</b></p> <p>Our audit risk is that the final funding received for the period is misstated in the financial statements.</p> <p>Given the prevailing uncertain funding climate, there is a further audit risk around the trust's ability to deal with falling revenues whilst suffering upward pressure on costs. This is dealt with under the going concern risk assessment below.</p>	<p>We shall review Trust minutes and correspondence with ESFA for information on the performance of the Trust against target and any possible issues with funding allocation or clawback.</p> <p>We will also review funding statements from the ESFA to confirm the sums paid in the period are completely and accurately recorded in the financial statements.</p>	<p>Correspondence has been reviewed and no issues have been highlighted which could result in a clawback.</p> <p>No cut off or completeness issued identified as result of completeness testing.</p>
<p><b>Settlements</b></p> <p>The Academies Accounts Direction has placed increased emphasis on the disclosure and validation of settlement payments to team members.</p>	<p>We shall examine accounting records and payroll reconciliations for evidence of settlement payments to team members and ensure that the Trust has recognised its obligations as regards propriety and best value in making any such payments.</p>	<p>There were no settlement payments made in the period.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Capital investment and maintenance</b></p> <p>The main risks are that the financial statements do not adequately reflect the future commitments of the Trust or the recognition of the costs and associated grants of the building works and refurbishments or maintenance works in the correct financial year.</p>	<p>We will establish the current status of any building work by reviewing committee minutes, correspondence and testing of invoices from contracts.</p> <p>We will also review and test the accounting treatment of costs and associated grant to ensure that these are correctly accounted for and disclosed in accordance with the Academies Accounts Direction 2020 to 2021 and UK GAAP.</p> <p>Furthermore, we will assess the Trust's consideration to whether there is a need for an impairment review to its existing estate.</p> <p>Finally, we will assess the impact of any major building project costs on the Trust's cash flows over time to ensure that the Trust remains a going concern.</p>	<p>There are no ongoing major building works.</p> <p>No capital grant funding received in the year other than DFC..</p> <p>Condition of existing estate was discussed, and no impairment review is considered necessary.</p> <p>There are no ongoing major building works.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Classification discrepancies</b></p> <p>Irregularities could be concealed by the misrepresentation of transactions or balances.</p>	<p>Our standard analytical procedures will seek explanation of all significant variances between this period and last as regards income and expenses.</p> <p>We need to remain alert to the possibility that unexplained variances could signify irregular transactions, window dressing or concealment.</p>	<p>The standard analytical procedures were carried out during the audit and sufficient explanations were obtained for any significant variances. No classification errors were noted as part of these procedures.</p>
<p><b>Related parties</b></p> <p>Transactions may have been entered into with related parties that may be incurred contrary to the interest of the Trust and thus contravene the requirements of the latest Academies Financial Handbook. In addition, disclosure of related party and trustee transactions is normally highly sensitive due to public interest.</p>	<p>Normal audit work background searches will be performed to identify all related parties.</p> <p>Material dealings will be examined, and commerciality reviewed to ensure that all transactions with related parties are not to the detriment of the Trust, and the ESFA requirements for dealing to be on a cost basis have been complied with where necessary.</p> <p>Where related party transaction have been identified we will need to ensure these have been reported to the ESFA via the portal as required.</p>	<p>Background searches performed.</p> <p>All transactions with related parties are deemed to be in line with ESFA requirements in relation to cost basis and appropriately disclosed within the financial statements.</p> <p>Transactions with related parties have been disclosed to the ESFA as required.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Journals</b></p> <p>We need to be alert to the use of irregular journals that may be designed to conceal irregularity or disguise the true nature of transactions.</p>	<p>Our normal audit work will suffice in this area but added diligence will be needed to ensure any unusual entries are corroborated.</p>	<p>Large and unusual journals were reviewed as part of the normal audit procedures and no irregular journals were noted.</p>
<p><b>Financial stability/ Going concern</b></p> <p>With the recent and continued unprecedented changes in the economy and public funding, there is an increased risk of insurmountable difficulty in the sector generally. In particular, academy trusts may need to restructure or explore various cost saving measures if they are unable to replace diminishing Government funding, which may impact upon educational attainment. Equally, trusts undergoing expansion can suffer a funding “lag” between the timing of the costs associated with such expansion and the resultant income, which is normally received in future periods. Whilst we have no specific concerns regarding the Trust, financial stability and the ability to remain a going concern (as demonstrated in its budgets and projections) will be an important part of our audit.</p>	<p>We shall review the Trust’s financial results, budgets, level of carried forward reserves and future cash flow forecasts and will assess whether the going concern disclosures in the financial statements are adequate and whether there is any impact upon our audit report.</p>	<p>The level of carried forward reserves and future financial information provided has been reviewed and assumptions used to prepare such information have been assessed. This information demonstrates that Trust’s is likely to have sufficient financial resources to continue in future years therefore the going concern basis is still appropriate.</p>

Key area of audit focus/risk	Audit approach	Resolution
<p><b>Trading and fundraising issues</b></p> <p>As part of a broader diversification of fundraising in the Trust sector, there has been an increase in business or fundraising activities that may be deemed “trading” by HMRC.</p> <p>HMRC may take the view that this “trading” income, such as catering income or the selling of school uniforms, should be liable to corporation tax.</p>	<p>The audit team will remain vigilant to any such Trust income, ensuring that it can be easily recognisable and that costs in relation to such activity are identified to mitigate exposure to corporation tax liabilities.</p> <p>Any such findings will be discussed with the Trust, with of our tax experts being used to assist and advise as necessary.</p>	<p>Non grant income has been reviewed and potential trading income has been identified which is above the £80,000 small trading threshold, however there are sufficient expenses incurred to limit the risk of potential corporation tax liabilities.</p>
<p><b>Leases</b></p> <p>There is an increasing use by Trusts of lease arrangements for the procurement or hire of assets.</p> <p>Agreements in respect of IT equipment and portable devices have proved to be particularly risky in that their terms often lead to them being interpreted as finance leases (and therefore debt) under the criteria of FRS102.</p> <p>The Academies Financial Handbook states that Trusts must obtain ESFA prior approval before taking up a finance lease on any class of asset for any duration from another party (borrowing).</p>	<p>We shall examine any material new lease agreements and compare the terms and cash flows thereunder to the criteria of FRS102 to determine if the leases are operating or finance in nature</p>	<p>Leases have been reviewed and are correctly classified as operating leases. The operating lease disclosure in the financial statements has also been checked and agreed back to supporting documentation.</p> <p>Senior management have confirmed that all operating leases have been included in the disclosure.</p>

## 4. Audit, accounting and control issues identified

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### Audit and accounting issues identified during the audit

There are no other issues identified during the audit that were not addressed at the planning stage and highlighted in our Audit Plan that we consider should be brought to the attention of those charged with governance.

### Management letter points

Management letter points arising are set out in section 5. Interim audit and assurance matters which are unresolved at the year-end have also been reproduced to give a full overview of matters identified during the course of our audit visits.

An audit is not designed to identify all matters that may be relevant to the directors. Accordingly, the audit does not ordinarily identify all such matters, and this summary does not constitute a comprehensive statement of all weaknesses that may exist in internal controls or of all improvements which may be made.

### Uncertainties, risks, exposures, estimates, judgemental issues and going concern

No significant uncertainties, risks, exposures, estimates, judgemental or going concern issues were noted by the auditors for which the auditors believe it is necessary to communicate to those charged with governance.

### Consultation on difficult, ethical, or contentious issues

No ethical conflicts have arisen from our work other than those identified and communicated to you at the planning stage.

### Regularity issues

The following matter identified in section 5 are indicative of instances of breaches in regularity and the regularity audit report has been qualified for these matters. These are summarised as follows:

- No Internal Scrutiny undertaken during the year
- Inadequate records of minutes of meetings
- Monthly management accounts not prepared
- Cash flow forecast and medium-long term budgets not prepared
- Lack of effective oversight of the Trust's activities
- Late filing of the financial statements to 31 August 2020 with ESFA (not included in section 5 findings)

## 5. Report to management

Issue	Recommendation	Management response	Importance
<p><b>Internal scrutiny</b> The Trust has not delivered an internal scrutiny programme for the 2020/21 financial year.</p>	<p>Section 3.1 of the Academies Financial Handbook 2020 states that all Trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively.</p>	<p>This has been missing for the last two financial years following changes to the Academies Financial Handbook and the impact of covid. However, the school has now embarked on a full tendering process (as evidenced within the finance minutes from Sept 2021) which will see the school engage with three or more suppliers to review the provision for both internal and year end audit services. Interviews are due to start in January with appointment and the first visit planned for February/March. This will have been fully corrected for Financial Year 2021-22</p>	

Issue	Recommendation	Management response	Importance
<p><b>Minutes</b></p> <p>Minutes of governing body have not been provided for one out of the six meetings that were held in the 2020/21 financial year and those provided only appear to be in draft format. We have also not had access to minutes for any of the sub-committee meetings held in the 2020/21 financial year.</p> <p>Inadequate record of meetings can be considered a breach of various regulations, including company law and the Trust's funding agreement.</p>	<p>That minutes are completed after every committee meeting and signed to state they have been approved. These should be done in a timely manner after every meeting.</p>	<p>The appointment of a new Clerk to Governors from September 2021, whose role is to fulfil minute taking and record keeping, should mean that this does not occur again. The previous combined role undertaken by the College Business Manager as Clerk became a difficult workload to manage due to the increasing demands of financial reporting. A new meeting format was introduced from September 2021 and procedures for ongoing review strengthened.</p>	
<p><b>Governor oversight</b></p> <p>Given the issues that have previously occurred and a number of high importance issues remaining on the Audit Findings Report it is evidence that the Governors do not appear to have effective oversight over the Trust's activities.</p>	<p>That Governors review the requirements of the Academies Financial Handbook and undertake appropriate training to understand their roles and responsibilities as Governors of the Trust.</p>	<p>Noted, action already taken. Senior governors met with the Headteacher weekly during 2020-21 and were kept fully informed of relevant decisions. On finances, monthly meetings have taken place since Sept 2021 between the new Headteacher, Chair of Governors and the College Business Manager which are minuted and shared appropriately.</p>	

Issue	Recommendation	Management response	Importance
<p data-bbox="180 293 384 450">Financial information/management accounts</p> <p data-bbox="180 461 464 1294">We have obtained copies of the information distributed at the latest Governors meeting, and it is limited in terms of the financial information presented. There are no details provided of budget vs actual spend/income received; no comparisons to prior year information; and no variance calculations performed with explanations provided therein.</p> <p data-bbox="180 1339 464 1518">Furthermore, it was noted that there are currently no long term (3 to 5 years) budget in place.</p>	<p data-bbox="515 461 778 936">Section 2.18 of the Academies Financial Handbook 2020 states that the Trust must prepare management accounts every month setting its financial performance and position</p> <p data-bbox="515 981 778 1413">Section 2.21 states these management accounts must comprising of income and expenditure accounts, variation to budget report, cash flows and balance sheet.</p> <p data-bbox="515 1491 778 1854">It is also considered best practice that a long-term budget is prepared as this will enable the Academy to identify any financial issues which may arise.</p>	<p data-bbox="829 450 1193 1137">Noted, action already taken to improve the financial information/management accounts. JSTC engaged with the services of an Independent Accountant to look at what kind of format would be appropriate to share with key personnel. This has been introduced from Sept 2021 and is being used each month. This includes KPI's, Cashflow Forecast and the Sharing of Management Accounts as appropriate.</p>	

Issue	Recommendation	Management response	Importance
<p><b>Cash flow forecast</b></p> <p>We have noted that although the Academy now has a cash flow forecast for 2021/22 financial year, no cash flow forecasts were prepared during the 2020/21 financial year.</p>	<p>To ensure compliance with Section 2.21 of the Academies Financial Handbook, monthly cash flow forecasts must be produced and maintained to support cash monitoring and</p>	<p>As noted above, new reporting procedures were introduced from September 2021.</p>	
<p><b>Sharing of management accounts</b></p> <p>As monthly management accounts are not being produced, the Academy has not met the Academies Financial Handbook requirement of sharing these with the Chair of Trustees monthly and the rest of the Trustees six times a year.</p>	<p>Section 2.19 states that these must be shared with the Chair of Trustees every month and the other Trustees six times a year.</p>	<p>As noted above, new reporting procedures were introduced from September 2021, including the sharing of information. A calendar of events had been created at the end of last academic year and shared with the EFSA who have approved and accepted this.</p>	

Issue	Recommendation	Management response	Importance
<p><b>Declarations of interest</b></p> <p>From our review of declarations of interests we noted that there were eight declaration of interest that related to the 2020/21 financial year that has not been disclosed as required.</p> <p>We also noted that there were two directorships per Companies House that were not disclosed on the declarations of interests.</p>	<p>All declarations of interests are disclosed on the Trust's website for all Trustees and Members that have served in the last 12 months, as specified by Section 2.50 of the Academies Financial Handbook 2020.</p> <p>Trustees are reminded that all directors and other interests must be disclosed to ensure a full record is maintained.</p>	<p>Noted and accepted. Declaration of Business Interests have now been completed for the 2021-22 Financial Year as part of the statutory requirements of governors outlined at the October 2021 AGM. A review of current serving governors and their directorships will be undertaken by the JSTC Company Secretary on a quarterly basis commencing Jan 2022.</p>	
<p><b>Attendance records</b></p> <p>From our review of the Trust's website, we note that the attendance records disclosed are not up-to-date.</p>	<p>Attendance records for the last academic year are disclosed on the Trust's website to ensure compliance with Section 2.50 of the Academies Financial Handbook 2020.</p>	<p>This will be updated and corrected on the JSTC website in Jan 2022. A new schools website is being created to improve sharing of information, with relevant information to be updated by the new clerk and monitored by the Headteacher and a nominated governor.</p>	

Issue	Recommendation	Management response	Importance
<p><b>Trustee resignations</b></p> <p>We have noted an instance of a trustee not being listed on the Get Information About Schools website as having resigned within the last 12 months. We have also noted four instances where trustees have not been listed on the school website as having resigned within the last 12 months. A trustee appointed on 4 October 2021 is not included on GIAS.</p>	<p>Get Information About Schools and Trust website are updated with 14 days of any changes as required by section 2.53 of the Academies Financial Handbook.</p>	<p>GIAS will be reviewed in Jan 2022 to correct any missing records and the JSTC website will be updated in Jan 2022 also with the resignation dates etc of departing governors. There will also be an updated list of 'Terms of Office' provided. Information will be updated by the clerk and reviewed by a nominated governor.</p>	
<p><b>Petty cash limits</b></p> <p>From review of the petty cash we identified several instances where the threshold was exceeded and authorised inappropriately.</p>	<p>That petty cash claims should only be authorised when they are within the petty cash threshold that is set within the Academy's Finance Policy.</p>	<p>An amendment to the petty cash process has taken place and means that an update to the policy is needed. This will be corrected in Jan 2022.</p>	

Issue	Recommendation	Management response	Importance
<p><b>Fixed asset register</b></p> <p>We note that a fixed asset register is held by the Academy, however, there is no procedure to regularly maintain it, the controls over monitoring the existence and completeness of assets, together with impairment and residual value considerations, are not deemed to be sufficient.</p>	<p>That the fixed asset register is maintained on a monthly basis. The fixed asset register should be reconciled as part of the month end procedures, agreeing it to the trial balance every month. We also recommend the fixed asset register is reviewed on a timely basis for the existence and completeness of assets included therein.</p> <p>Furthermore, any new asset additions should have residual values taken into consideration, as well as there being an annual assessment of</p>	<p>JSTC engaged the services of an Independent Accountant to review the financial information and management accounts from September 2021. The Fixed Asset Register was included within their work.</p> <p>Procedures to monitor will be introduced alongside the revised register.</p>	
<p><b>Purchase orders</b></p> <p>From a sample of 40 purchases tested in the year, we identified 15 instances of retrospective purchase orders being generated.</p>	<p>All purchase orders should be raised prior to orders being placed with the relevant suppliers.</p>	<p>This will be flagged with the rest of the finance team. All JSTC staff will be informed that the finance team need to be informed prior to commitment rather than retrospectively.</p>	

Issue	Recommendation	Management response	Importance
<p><b>Executive pay</b></p> <p>We noted that although there was documentation on file for the initial pay rise of the Head Teacher in the prior financial year, there was no documentation in relation to the additional pay rise given in December 2020.</p>	<p>Section 2.30 of the Academies Financial Handbook 2020 states that the board of trustees must ensure its decisions about levels of executive pay (including salary and any other benefits) follow a robust evidence-based process and are a reasonable and defensible</p>	<p>The usual report provided by the School Improvement Adviser was provided as evidence of the executive pay review process. Further information, including minutes of the meeting in which the review takes place will be maintained next year.</p>	
<p><b>Tender process</b></p> <p>It has been noted that when purchasing the new servers for the school, the tender process was not followed for a purchase between £10,000-£50,000, three quotes were not obtained and the finance committee did not approve the purchase.</p> <p>From discussions with the SBM, it was established that this was due to a practical point of view as the existing servers were with the same supplier.</p>	<p>That the finance policy should be followed at all times to ensure best value for the school. In this instance it would have been more appropriate to obtain quotes as a way of benchmarking to demonstrate value for money, even if the cheapest quote was not chosen.</p>	<p>The tender on servers was a closed tender process as our IT Manager will only deal with Dell for the make of the equipment needed. The funding was within his existing budget allocation but greater detail will be shared with governors in the future in relation to what this has been spent on and why.</p>	

Issue	Recommendation	Management response	Importance
<p><b>Starters and leavers IT access</b></p> <p>There are no formal procedures for new starters and leavers IT access rights. These are currently communicated to the IT team via email or telephone.</p>	<p>We recommend a formal process is undertaken when an employee starts or leaves the Academy. A new starter form that provides details of the level of access rights that should be given the new staff member, and a leaver form that is signed to confirm access rights have been removed.</p>	<p>A pro-forma is in place but will be reviewed to address this point early in 2022. In addition, we have introduced 'Exit Interviews' since September 2021, these are carried out with the staff member leaving and the Headteacher. The IT access form is included in this meeting.</p>	
<p><b>Auditors' recommendations</b></p> <p>We note there are a number of brought forward auditor recommendations that have not been resolved in 2020/21.</p>	<p>Section 4.16 of the Academies Financial Handbook 2020 states the Trust "must ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by auditors".</p>	<p>The timeframe involved here is only a matter of months due to the lateness of our accounts submission from the previous year (June 2021). Work will be done on this area ahead of the next year end in Aug 2022, with many points already having being addressed since September 2021.</p>	

Issue	Recommendation	Management response	Importance
<p><b>Bank statement review</b></p> <p>On review of the bank statements, we noted that they have not been appropriately signed each month.</p>	<p>Bank statements should be reviewed on a monthly basis by an appropriate individual and signed to confirm this review has</p>	<p>A simple oversight which will be corrected with immediate effect.</p>	
<p><b>Governance structure</b></p> <p>As per Section 1.5 of the Academies Financial Handbook, the Department's view is that there should be a significant degree of separation between the individuals who are members and trustees. Given that two of the three members of the Academy are also Trustees, there is not significant separation in place.</p>	<p>In order to comply with Section 1.5 of the Academies Financial Handbook, there should be a significant degree of separation between the individuals who are members and trustees. Furthermore, Section 1.3 of the Academies Financial Handbook states the Department's strong preference is that trusts should have at least five members. We would recommend that the majority of members of the Academy Trust are independent and not also acting as a Trustee.</p>	<p>We appreciate that our balance is not as the ESFA would suggest and we are taking steps to address this issue in the coming months. There has already been significant change in the last three months.</p>	

Issue	Recommendation	Management response	
<p><b>Insurance cover</b></p> <p>Whilst we note that the Trust uses the RPA scheme for premises cover, the motor vehicle insurance policy taken out with Zurich did not appear to go through a best value exercise.</p>	<p>A best value exercise should be undertaken for all insurance premiums taken out by the Trust.</p>	<p>Attempts were made to engage with other insurers to evidence best value for money but no replies received. Zurich were asked if the one provided was their best price but appreciate that a wider tender process is called for.</p>	
<p><b>Key performance indicators</b></p> <p>We have noted that regular meetings have taken place within 2021/22 for income and expenditure reviews however, during 2020/21 there is no regular KPI monitoring of performance.</p>	<p>To ensure compliance with Section 2.22 of the Academies Financial Handbook 2020, were commend that KPIs are selected to measure performance on a regular basis.</p>	<p>Now being covered within monthly reporting.</p>	
<p><b>Cycle to work scheme</b></p> <p>Whilst the values involved are considered trivial, on review of the payroll for one of the employees, it was noted that the treatment of the Cycle to Work Scheme vouchers are incorrect in that deductions should include output VAT for both VAT and PAYE purposes.</p>	<p>The treatment of the Cycle to Work Scheme is reviewed with the assistance of the payroll provider to ensure compliance with the relevant legislation.</p>	<p>This will be explored more fully as this is how we have always processed such schemes and will be corrected for future participants of this scheme to rectify</p>	

Issue	Recommendation	Management response	Importance
<p><b>Gifts policy</b></p> <p>We have noted that the prior Head Teacher received a gift with a value of £100 from the Academy. Whilst this was not found to be excessive, we noted that there is no gift policy in place within the Finance Policy to demonstrate reasonableness was considered.</p>	<p>Per section 5.31 of the Academies Financial Handbook 2020, the Academy should have a policy and register in place when the Academy is in receipt of a gift, hospitality, awards, prizes or other benefits that might compromise judgement.</p> <p>When making gifts, the trust must ensure the value is reasonable, is within its scheme of delegation, the decision is documented and</p>	<p>Abnormal instance with Headteacher retiring but segment will be written into appropriate policy to ensure compliance moving forward.</p>	

### Key to colours

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The Board of Trustees should ensure this recommendation is addressed as a matter of priority as insufficient internal controls are currently in place, the Trust is exposed to risk or is non-compliant with key requirements.
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The current internal controls are not necessarily failing, but there are weaknesses within these controls that we have deemed to be medium risk to the Trust, therefore improvements should be put in place where possible.
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The matter raised is considered to be a low-risk area to the Trust or is an issue for which there has already been a change of procedure to prevent recurrence.

## 6. Unadjusted misstatements

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The following misstatements have been noted during the audit and are immaterial to adjust:

Nature of item	Unadjusted profit and loss effect (£)
Facutal:	
Adjustment to depreciation charge for the year	(948)
Removal of aged creditor balance	347
<b>Total unadjusted increase/(decrease) to profit</b>	<b>(601)</b>

## 7. Adjusted misstatements

The table following shows adjustments (excluding reclassifications) that were made to the original trial balance data prior to the audit and during the course of our audit work:

Nature of item	Unadjusted profit and loss effect (£)
Surplus/(Deficit) per trial balance	(102,364)
Accounts adjustments:	
6020 Musical instruments / equip from Bid money posted to balance sheet	5,099
6020 Sporting Equipment from Bid Money (Act Lincs) posted to balance sheet	9,354
5100/5175/5200/6020/6025 Capital Expenditure including Wifi & Laptop Trolleys posted to balance sheet	32,113
5100/5175/5200/6020/6025 Capital Expenditure including Wifi & Laptop Trolleys posted to balance sheet	14,437
5150 GENERAL BUILDING COST posted to balance sheet	3,019
1810 SCHOOL FUND INCOME. posted to P&L	29,726
1820 SCHOOL FUND EXPENDITURE posted to P&L	(36,048)
Additional accrual for audit fee	(11,250)
Split out operating lease costs	(5,074)
FRS102 pension journal	<u>(533,000)</u>
	<b>(593,988)</b>

Nature of item	Unadjusted profit and loss effect (£)
Audit adjustments:	
Introduce additional trade creditor	(7,395)
Remove repairs and renewals from additions	(10,628)
Capitalisation of school servers	16,461
Adjustment to correct the depreciation charge	11,035
Adjustment for laptops that were donated to the academy	<u>36,800</u>
	<b>46,273</b>
Rounding	(1)
<b>Surplus/(Deficit) per audited accounts</b>	<b>(547,716)</b>

Changes were made to the disclosure in the financial statements to improve presentation and ensure compliance with applicable accounting standards.

## 8. Data analytics findings

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Through our audit we have utilised data analytics in several areas to assist our work in John Spendluffe Technology College. We summarise below some of the findings from this process.

### General findings

#### Transaction numbers

There were 3,790 transactions entered into SAGE over the year.

#### Profit value impact

Out of the total transactions noted above 84 items had a profit impact of £38,400 or more. These have been reviewed and are mainly related to payroll and grant remittances

#### Large value versus average

95 transactions (2.39%) were of a value 10 times or more of the average value of transactions in any given nominal ledger account. These are mainly related to payroll and grant remittances.

#### Seldom used accounts

33 of 81 general ledger accounts had less than a posting a month entered. This is mainly associated with yearend adjustments and payroll.

#### Zero balance accounts

4 of 81 general ledger accounts had postings to them where the account balance at the year-end was zero.

#### Suspense accounts

41 transactions were posted to suspense accounts, all associated with sales to pupils or debtors.

## 9. Financial statements summary

### Statement of financial activities

	£	£
<b>Income</b>		
GAG and other grants	4,821,573	
Other income	<u>183,192</u>	5,004,765
<b>Expenses</b>		
Staff costs - Direct	(3,327,762)	
Staff costs - Support	(916,732)	
Other overheads	<u>(1,017,987)</u>	(5,262,481)
Surplus / (Deficit) for the period		(257,716)
Actuarial movement on pension fund		(290,000)
		<u>(547,716)</u>
Reserves brought forward/ Fund inherited		5,685,607
<b>Reserves carried forward</b>		<b><u>5,137,891</u></b>

### Performance indicators

Staff costs as % of income - Excluding capital income	86.81%
Staff costs as % of expenditure	80.66%
Net current assets	345,727

### Balance sheet

	£	£
<b>Fixed assets</b>		
Land and buildings	7,433,338	
Other fixed assets	<u>215,826</u>	7,649,164
<b>Current assets</b>		
Cash at bank and in hand	488,843	
Debtors	<u>119,354</u>	608,197
<b>Current liabilities</b>		(262,470)
<b>Pension liability</b>		(2,857,000)
<b>Reserves carried forward</b>		<b><u>5,137,891</u></b>
Represented by;		
Unrestricted reserves		130,968
Restricted reserves		201,259
Restricted fixed asset fund		7,662,664
Pension reserve		<u>(2,857,000)</u>
		<b><u>5,137,891</u></b>

## Comparative financial summary year to 31 August 2020

### Statement of financial activities

<b>Income</b>	<b>£</b>	<b>£</b>
GAG and other grants	4,297,884	
Other income	<u>284,998</u>	4,582,882
<b>Expenses</b>		
Staff costs - Direct	(3,122,149)	
Staff costs - Support	(834,816)	
Other overheads	<u>(1,055,064)</u>	(5,012,029)
Surplus / (Deficit) for the period		(429,147)
Actuarial movement on pension fund		82,000
		<u>(347,147)</u>
Reserves brought forward/ Fund inherited		6,032,754
<b>Reserves carried forward</b>		<b><u>5,685,607</u></b>

### Performance indicators

Staff costs as % of income - Excluding capital income	87.53%
Staff costs as % of expenditure	78.95%
Net current assets	208,048

### Balance sheet

<b>Fixed assets</b>	<b>£</b>	<b>£</b>
Land and buildings	7,598,152	
Other fixed assets	<u>203,407</u>	7,801,559
<b>Current assets</b>		
Cash at bank and in hand	196,561	
Debtors	<u>232,818</u>	429,379
<b>Current liabilities</b>		(221,331)
<b>Pension liability</b>		(2,324,000)
<b>Reserves carried forward</b>		<b><u>5,685,607</u></b>
Represented by;		
Unrestricted reserves		150,159
Restricted reserves		55,098
Restricted fixed asset fund		7,804,350
Pension reserve		<u>(2,324,000)</u>
		<b><u>5,685,607</u></b>

## 10. Emerging issues

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### Changes in the new Academy Trust Handbook 2021

Outlined below is an overview of the changes.

#### Roles and responsibilities

- Suitability checks should be performed on current and future members.
- Trusts should ensure that there are reserved places for parents, carers or other individuals with parental responsibilities in their governance structure to ensure that boards stay accessible and connected.
- Trusts' obligations relating to safeguarding, health and safety and estates management have been highlighted.
- The process relating to the appointing of a senior executive as a trustee has been highlighted.
- The value of external reviews of governance has been highlighted to identify potential improvements.

#### Main financial requirements

- Further explanation as to when trusts should review their scheme of delegation.
- Further information on what trusts need to publish on their website in relation to employees whose benefits exceed £100k.
- A reminder of which governance documents need to be available for public inspection.

#### Internal scrutiny

- An explanation that the chair of the audit and risk committee should not be the same person as the chair of the finance committee (where applicable).
- Explanation that internal scrutiny must not be carried out by a member of the senior leadership team.

#### Annual accounts and external audit

- Details relating to when trusts should re-tender for their external audit service have been set-out.

#### Delegated authorities

- Trusts must obtain prior approval for team severance payments of £100k or more which include a non-statutory/non-contractual element and/or when the employee earns over £150k.

## The regulator and intervention

- Introduction of the requirement of trusts to provide the ESFA with authority to obtain third party information.
- Provision to trusts of advice and guidance relating to cybercrime given the significant increase in the number of reported cyber-attacks.
- Renaming of the Financial Notice to Improve to Notice to Improve, reflecting how ESFA intervenes in broader governance issues.

## Further emerging issues

We regularly review financial notices to improve (notices to improve as they are called now) and what we have seen come out of the ones for the 20/21 academic year are:

- Weak financial position.
- Incomplete trust website and get information about schools' information.
- Poor management accounts in both form and content, late management reporting as well as insufficient oversight of the reports and Inadequate governance and challenge.
- Poor separation of members and trustees.
- Related party transactions.
- Not addressing issues raised by internal/external auditors. No formal plan of future work for internal auditors.
- Inadequate senior team performance management.
- Insufficient trustee/governance meetings held.

This usually drives the ESFA's focus and changes to the Academies Trust Handbook, as it is known now.

The Academies Trust Handbook, which should be read by all governors, that came into force on 1 September 2021, has a clear direction to shift focus away from just financial risk with dropping of the term financial in both the handbook and Notices to improve (for the main changes from the previous version, please see above).

In the forward by Baroness Berridge it specifically mentions safeguarding, health and safety and estates management to ensure the welfare of pupils.

Interestingly when we have been completing our internal scrutiny reviews over the last year the common themes from the outcomes of those reviews have been around governance administration and skills audits, oversight of finances, plus schemes of delegation and proper procedures not being followed for tendering, mainly from logistical issues arising from the pandemic. We would also recommend you consider the appropriate professional for a cyber security review.

## COVID-19

COVID-19 and the related lock down will undoubtedly have had and continue to have an impact in some way on your business. Duncan & Toplis have put together a [knowledge base](#) of the help and support available from the Government and of the temporary changes to tax and other legislation. This also details how we can help you access the support required.

