

South Ossett Infants' Academy Trust

Year Ended 31 August 2022

Audit Findings Report



**South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022**

Contents

	Page
1. Introduction	1
2. Overall objective	2
3. Strategy and areas covered	4
4. Audit summary	5
5. Key findings	6
Appendix 1 Surplus reconciliation	15
Appendix 2 Unadjusted misstatements	16
Appendix 3 Other findings from the audit	17
Appendix 4 Draft letters of representation	19

South Ossett Infants' Academy Trust

Audit Findings Report - Year Ended 31 August 2022

1. Introduction

The purpose of this report is to set out significant matters which came to our attention during the course of our work in connection with the audit of the financial statements and the independent reporting accountant's assurance report on regularity for the year ended 31 August 2022.

The report forms part of the ongoing communication we are required to have under International Standards on Auditing (UK and Ireland). Its content is prescribed by the Academy Trust Handbook and auditing standards, and includes:

- The auditor's approach to the audit
- Areas covered by the audit
- The auditor's findings, including any significant concerns, if arising, including ratings of the importance / risk
- Audit recommendations
- The academy trust's response to the auditor's recommendations including timescale for action
- The status of any audit recommendations from the previous year

In the context of the above, we as auditors are required to report significant findings from the audit, which include:

- The auditor's views about significant qualitative aspects of the academy trust's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
- Significant difficulties, if any, encountered during the audit
- Significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management
- Written representations the auditor is requesting
- Other matters, if any, arising that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process

We also report to you any significant deficiencies in internal control identified during our audit and any other deficiencies, which, in our professional judgement are of sufficient importance to merit your attention.

The matters included in this report have been discussed with the academy trust's management during the audit.

1.1. Use of this report

The report is prepared solely for the confidential use of the academy trust and relates only to those matters which came to our attention as part of our normal audit and assurance report procedures which are principally designed to enable us to form an audit opinion on the financial statements and an assurance opinion on regularity.

Our work was not carried out for the purpose of expressing an opinion on the effectiveness of internal control, is not designed to test all internal controls or identify all areas of control weakness and should not be relied upon to disclose errors or irregularities which are not material in relation to the financial statements or regularity report. It is prepared solely for the use of the Board of Trustees of the academy trust and should not be communicated in whole or in part to any third party and we accept no responsibility to any party who places reliance on it.

1.2. Acknowledgements

We would like to take this opportunity to thank all staff we met during our audit for their co-operation and assistance.

South Ossett Infants' Academy Trust

Audit Findings Report - Year Ended 31 August 2022

2. Overall Objective

Our work is designed to consider whether:

- the financial statements of the academy trust give a true and fair view of the state of the academy trust's affairs at 31 August 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the ESFA Accounts Direction, the Companies Act 2006 and UK Generally Accepted Accounting Practice;
- the information given in the Report of Trustees is consistent with the financial statements; and
- anything has come to our attention which suggests in all material respects the expenditure disbursed and the income received has not been applied to the purposes intended by Parliament and the financial transactions do not confirm to the authorities which govern them.

2.1. Audit approach

Our overall audit approach is risk based and our detailed approach to individual components of the financial statements is derived from the results of our risk assessment on each area.

Our objective is to obtain sufficient appropriate evidence in order to form an audit opinion on the financial statements which have been prepared by management. Our audit plan is tailored to ensure that we carry out the minimum amount of audit work required to achieve our objective. The level of detail of our testing depends on the risks identified and the relative complexity of individual audit areas. This ensures that we concentrate our audit work on the areas identified as being of the highest risk of material misstatement and our work in lower risk areas is proportionately lower. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are set out in our letter of engagement.

2.2 Approach to regularity assurance

Our work is a limited assurance engagement as defined in our engagement letter. 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. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

2.3 Materiality

Audit materiality on the financial statements as a whole relates to the level at which misstatements or omissions individually or in aggregate would affect the decisions of users of the financial statements, and the financial statements would no longer show a true and fair view.

The assessment of what is material is a matter of professional judgement and includes consideration of both the amount (quantity) and the nature (quality) of misstatements.

In carrying out an audit, we are concerned that accounts as presented show a true and fair view. Truth and fairness does not imply absolute accuracy but rather that the accounts reasonably state the affairs of the entity and do not contain any significant inaccuracies.

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

2. Overall Objective (continued)

Certain items within a set of accounts, such as trustees' emoluments or loans, must be legally disclosed and therefore in this context materiality would not be relevant.

Similarly, certain transactions or balances including issues of irregularity or propriety, may reasonably be expected to influence the decisions of users at a lower level and we determine this level accordingly.

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

3. Strategy and areas covered

3.1. Overall audit strategy

Our overall audit strategy included:

- discussions with management and reviewing interim figures, the budget return and internal audit reports to update our understanding of the academy trust, to identify any changes and identify areas of higher risk;
- reviewing the design and implementation of internal control systems affecting the areas of the financial statements identified as higher risk;
- carrying out risk assessment procedures to assess the overall audit risk and risk on individual audit areas
- using the risk assessment to plan and develop an appropriate audit plan and procedures
- substantive testing, along with observation, enquiry and walk through tests of systems to confirm that the systems and controls as advised to us are operating effectively and as stated
- verifying any material balance sheet figures
- performing analytical review of income and expenditure
- confirming that the financial statements had been prepared in accordance with the Academies Accounts Direction 2021 to 2022 in all material respects

3.2. Regularity work

Our work on regularity included:

- enquiry of officers of the academy trust
- review and testing of income and expenditure for compliance with the funding and other agreements, the Academy Trust Handbook and the academy trust's system of controls
- examination of relevant documents
- review of the activities carried out by the academy trust
- review of the delegated authorities set out in the Academy Trust Handbook
- a review of governance, as set out in the Academy Trust Handbook

3.3. Higher risk areas identified at the planning stage

The following areas were identified as high risk at the audit planning stage and our audit approach concentrated on these areas accordingly:

- Income recognition – under ISA 240 there is a presumed risk that income may be misstated due to incorrect revenue recognition
- Management override – under ISA 240 there is a presumed risk of the management override of controls in all entities
- Related parties - specific controls and disclosures are required in this area. There is a risk that accounting procedures may treat related party transactions in the same way as other transactions hence the additional requirements could be overlooked
- Going concern - the financial statements assume the trust will continue in operation for the foreseeable future. If it does not have sufficient cash to meet its liabilities this assumption is invalid.
- Internal scrutiny – in previous years the school has had insufficient visits.
- Change in finance staff – the School Business Manager was absent for most of the year and retired in May 2022. In her absence external finance staff have been used on a part-time basis.

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

4. Audit summary

Our audit work is substantially complete subject to the matters set out below:

- receipt of the signed letters of representation
- completion of the subsequent events review

We anticipate issuing an unmodified audit opinion on the financial statements and an unqualified assurance report on regularity.

We have not identified any additional areas of risk, following our fieldwork, other than those matters identified at the planning stage as noted in section 5.1.

We have not identified any issues re internal control as noted in section 5.2.1. Section 5.2.2 includes an update on the status of previous recommendations.

We have identified issues with regularity as noted in section 5.2.3. Section 5.2.4 includes an update on the status of previous recommendations.

As previously advised, we consider that there is a potential threat to our auditor independence in the preparation of the statutory financial statements and audit work being carried out by the same team. The safeguard adopted to counter any management or self-review threats arising is approval of any adjustments by information management.

Included in the appendices to this report are:

- details of the adjustments made to the trial balance figures to arrive at the figures in the final accounts, presented as a surplus reconciliation (Appendix 1)
- a summary of the unadjusted misstatements identified during audit testing (Appendix 2)
- our views on the significant qualitative aspects of the academy trust's accounting practices (Appendix 3)
- draft letters of representation for the audit and regularity assignment (Appendix 4)

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

5. Key findings

5.1. Matters identified at the planning stage

	Issue identified	Notes
1	Income recognition	<ul style="list-style-type: none"> • General Annual Grant (GAG) and other ESFA income included in the financial statements was successfully agreed to final funding confirmation from the ESFA. • Management confirmed that there is no ESFA clawback in respect of pupil numbers. We confirmed that pupil numbers are within the range where no clawback would be expected. • Accrued / deferred income had been correctly provided where income is for a period other than the year ended 31 August. • Non-recurrent grant income and other material sources of income were agreed to offer letters and contracts to ensure correctly recognised in the period. • A sample of prepayments, accrued and deferred income have been tested to contracts or other relevant documentation. <p>No material issues have been noted re the recognition of income.</p>
2	Management override	<ul style="list-style-type: none"> • We have carried out tests of observation and enquiry and walkthrough tests of systems and controls, as well as checking the adherence to control procedures when carrying out substantive testing. • We reviewed the nominal ledger for large and unusual items including journal entries. • Accounting estimates, judgements and assumptions were reviewed. <p>No indication of management override of controls or manipulation of items in the financial statements was noted.</p>
3	Related parties	<ul style="list-style-type: none"> • Declarations of interests were reviewed to identify potential related parties. • Income and expenditure were scrutinised in comparison to declared interests. • Board minutes were reviewed for any declared interests. • Application of appropriate declarations and procedures for related party transactions were considered. <p>No indications of beneficial transactions with related parties were noted. The financial statements contain the necessary disclosures regarding the employment of staff related to trustees. No non-compliance was noted.</p>

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

	Issue identified	Notes
4	Going concern	<ul style="list-style-type: none"> • We reviewed budgets and forecasts for the 12 month period after the expected date of approval of the financial statements and the longer term forecasts to August 2025 for reasonableness. • We reviewed the trustees' response to the possible reduction in income including a review of contingency forecasts prepared to reflect various scenarios including the timing of reduced funding levels and the impact of possible options to reduce costs for reasonableness. • We discussed progress re the Trust joining a Multi Academy Trust and whether any agreement had been reached which would necessitate additional going concern disclosures. • We made enquires of management and the trustees and accepted written assurances. • We reviewed the disclosure in the financial statements. <p>The going concern assumption remains appropriate in the preparation of the financial statements.</p>
5	Internal scrutiny	<ul style="list-style-type: none"> • Internal audit reports were reviewed to ensure the reviews had taken place and to see if any issues had arisen from the reviews. <p>Although due to COVID-19 restrictions there had been only one internal audit visit in the year, the visit had included a review of three distinct areas identified as higher risk in the risk register and was compliant with the requirements of the Academies Financial Handbook. No significant issues arose from the reports.</p>
6	Change in finance staff	<ul style="list-style-type: none"> • Transactions were reviewed to ensure they were authorised and included in the appropriate nominal ledger. • We reviewed and updated the systems notes for changes in roles and responsibilities. <p>No significant issues were noted from the authorisation process and the allocation of transactions to nominals and no indication of a weakness in controls and procedures was identified.</p>

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

5.2. Matters identified during the fieldwork

Our work is not designed to test all internal controls or identify all areas of control weakness and should not be relied upon to disclose errors or irregularities which are not material in relation to the financial statements or regularity report. Our report relates only to those matters which came to our attention as part of our normal audit and assurance report procedures which are principally designed to enable us to form an audit opinion on the financial statements and an assurance opinion on regularity.

Grading structure

For each recommendation we have assigned a grading of High, Medium or Low priority depending on the importance or risk of the issue as explained below:

Priority	Classification
High	A high priority issue that must be addressed immediately
Medium	An important issue which should be addressed soon.
Low	Issues that relate to minor control deficiencies that should be addressed within an agreed timescale, or an advisory issue for consideration.

South Ossett Infants' Academy Trust Audit Findings Report - Year Ended 31 August 2022

5.2.1. Internal controls – Audit

No new recommendations noted in the year ending 31 August 2022.

5.2.2. Status of previous recommendations - Audit

Progress against previous recommendations is as follows:

1	Opening balances	
	<p>Observations</p> <ul style="list-style-type: none"> It was noted that the financial reporting system had not been properly year-ended and the trial balance figures included both 2020 and 2021 figures. <p>Implications</p> <ul style="list-style-type: none"> Although this was not an issue for management accounts or reporting purposes because the reports isolated the 2021 figures, it makes the trial balance more cumbersome. 	<p>Recommendations</p> <ul style="list-style-type: none"> Once the audit has been fully completed, advice should be taken to ensure that the financial system is appropriately year ended and audit journals entered to bring the opening balances into line with the audited financial statements. <p>Priority : Low</p>
	Management Response	Timescale: 31 January 2022
	This will be completed by either the SBM on her return or by the person appointed to take on her role in the interim period.	
	Update 2022	
	Recommendation implemented and no new issues noted.	

2	VAT126 Submissions	
	<p>Observations</p> <ul style="list-style-type: none"> It was noted during the audit that VAT126 submissions are not being made in a timely manner, with one being submitted over 8 months after the period end. It was also noted that three of the four submissions during the year were made prior to being checked and authorised by the head. <p>Implications</p> <ul style="list-style-type: none"> If returns are not submitted in a timely manner, then the school may forgo income due to itself for longer than necessary, which could in turn create cash flow issues. If returns are submitted without prior approval from the head, there is a risk that incorrect submissions are being made and that the head may become distanced from the financial position of the school. 	<p>Recommendations</p> <ul style="list-style-type: none"> Returns should be submitted within a reasonable amount of time upon the end of the period in question. Returns should be checked and authorised by the head prior to submission. <p>Priority : Low</p>
	Management Response	Timescale: 31 December 2019
	In 2018-2019 there were a number of different circumstances that impacted on the timeliness of submission. We have looked into this and VAT returns going forward will be submitted within a reasonable amount of time upon the end of the VAT period.	
	The School Business Manager and Headteacher will ensure that there is prior checking and authorisation before submission.	
	Update 2020	
	All of the VAT returns for throughout the year were submitted on 30 November 2020, which is not in a timely manner. All of the VAT returns were authorised by the head on the same date.	
	2020 Management Response	Timescale: 31 March 2021
	The VAT returns have now been diarised by the School Business Manager and Headteacher to ensure more timely submission.	
	Update 2021	
	All of the VAT returns for throughout the year had not yet been submitted by the date of the audit fieldwork of 5 November 2021, which is not in a timely manner.	
	2021 Management Response	Timescale: 31 March 2022
	This will now be part of the RAC committee agenda to ensure that this can be completed in a timely fashion and the report fed back to RAC then FGB.	
	2022 Management Response	Timescale:
	VAT returns are now being completed in a timely manner all previously outstanding VAT returns are up to date.	

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

5.2.3 Issues and recommendations - Regularity

The new recommendations for the year ended 31 August 2022 are as follows:

1	Chief Financial Officer (CFO) appointment	
	<p>Observations</p> <ul style="list-style-type: none"> • It was noted that following the retirement of the Business Manager in May 2022, a CFO was not formally appointed until 1 November 2022. • The Trust was not aware that the appointment of a CFO who is not an employee required prior ESFA approval. • The approval was granted with effect from 1 November 2022 but cannot be retrospectively applied. <p>Implications</p> <ul style="list-style-type: none"> • The Trust did not have anyone fulfilling the role of CFO for part of the year. • The Trust was not aware of and did not follow the requirements of the Academy Trust handbook in this respect. 	<p>Recommendation</p> <ul style="list-style-type: none"> • Although approval has now been granted the Trust should ensure that it is aware of, and follows the requirements of the Academy Trust Handbook. <p>Priority : Low</p>
Management Response		Timescale: Not applicable
<p>Going forward for changes such as these, the Trust will consult the Academy Trust handbook.</p>		

2	Effective spending of grant income	
	<p>Observations</p> <ul style="list-style-type: none"> • It was noted that £4,200 of PE and Sports Grant Funding had not been spent within the timescale outlined within the grant conditions and is due to be repaid. • It was noted that this was due in part to the unavailability of contractors. <p>Implication</p> <ul style="list-style-type: none"> • The school has not made full use of the resources available to it and the pupils have not received the full benefit they could have. 	<p>Recommendation</p> <ul style="list-style-type: none"> • The academy should monitor grant compliance conditions to ensure that funding is spent within relevant timescales and the school benefits fully from grants received. <p>Priority : Medium</p>
Management Response		Timescale: 31 December 2022
<p>Unfortunately the unspent PE and sports premium funding was as a result of supplier timescales where the equipment could not be delivered before the end of August. It is anticipated that the 22/23 grant income for PE and Sports premium funding will be spent in full.</p>		

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

3	Updates to governance and key management personnel:	
	<p>Observations</p> <p>Companies House:</p> <ul style="list-style-type: none"> • It was noted that the Persons of Significant Control (PSC) Statement which was notified to Companies House on 17 November 2016 and states "the company knows or has reasonable cause to believe that there is no registrable person or registrable relevant legal entity in relation to the company" is no longer correct. A company is considered to have no PSCs where there are four members or more, but the trust now has fewer than four members and so the PSC statement should be updated to include details of the members. • The director resignation on 8 October 2022 has not been advised to Companies House and the Companies House Annual Confirmation Statement filed on 30 November 2022 was also not updated for this resignation. <p>Get Information About Schools (GIAS):</p> <ul style="list-style-type: none"> • On the GIAS register the CFO is noted as the previous business manager, who retired on 31 May 2022. • We note that due to the appointment of a CFO external to the academy, the trust has been in discussions with the ESFA and it may be that GIAS could not be updated until approval of her appointment had been granted. • On the GIAS register a trustee who resigned in October 2022, has also been mistakenly resigned as a member. <p>Implication</p> <ul style="list-style-type: none"> • The information on public record at Companies House and GIAS in respect of the trust's members, trustees and key management personnel is inaccurate. 	<p>Recommendation</p> <ul style="list-style-type: none"> • The academy should update the information at Companies House and GIAS in relation to the trust's members, trustees and CFO as soon as possible. • The academy should ensure that any future changes are notified to Companies House and to the ESFA via GIAS within the 14 day deadline. <p>Priority : Medium</p>
	Management Response	Timescale: 31 December 2022
	<p>In relation to the CFO role, GIAS could not be updated since this field cannot be left blank and Claire Brook could not be added to the CFO role until approval from the ESFA had been granted. GIAS has now been updated accordingly.</p> <p>Going forward the Trust will ensure that future changes are notified to the respective parties within the timescales.</p>	

South Ossett Infants' Academy Trust Audit Findings Report - Year Ended 31 August 2022

5.2.4 Status of previous recommendations - Regularity

Progress against previous recommendations is as follows:

1	Companies House records	
	<p>Observations</p> <ul style="list-style-type: none"> It was noted that Companies House have not been notified of the resignation of trustees within the required time of 14 days from the date of change. Although once advised that the records were not up to date, the necessary filings were made, this was several months late. <p>Implications</p> <ul style="list-style-type: none"> The trust did not fully comply with its filing obligations to Companies House. As Companies House is a public record which contains information on the governance of the Trust, by not keeping it up to date it may give a misleading representation of the trustees of the Trust. 	<p>Recommendation</p> <ul style="list-style-type: none"> Submissions should be made to Companies House within the required timeframe prescribed by Companies House. <p>Priority : Low</p>
	Management Response Timescale: 31 December 2021	
	This has now been updated. In future when governors resign or are added, this will be updated within the timeframe.	
	Update 2022:	
	Some records were not updated as noted in 5.2.3 above.	

2	Governance arrangements	
	<p>Observations</p> <ul style="list-style-type: none"> It was noted that although the academy trust website includes details of the governors and their business and pecuniary interests, the latest version was dated 2019/20. The document on the website does not include details of recently appointed trustees but does include information regarding trustees who resigned more than 12 months ago and whose details should be removed. The document has not been updated to include meeting attendance. <p>Implication</p> <ul style="list-style-type: none"> The information published on the website is not in compliance with section 2.50 of the Academies Financial Handbook 2020. 	<p>Recommendation</p> <ul style="list-style-type: none"> The website should be updated to include the information relating to trustees, members and key management personnel required in the Academies Financial Handbook. <p>Priority : Medium</p>
	Management Response Timescale: 31 December 2021	
	This has now been updated.	
	Update 2022:	
	Recommendation fully implemented.	

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

3	Members	
	<p>Observation</p> <ul style="list-style-type: none"> It was noted that the Trust has only three members, one of whom is the Accounting Officer, and another is also a trustee. <p>Implications</p> <ul style="list-style-type: none"> The Accounting Officer being a member is not compliant with the Academies Financial Handbook 2020 section 1.4 which states that from 1 March 2021 "Members must not be employees of the trust, nor occupy staff establishment roles on an unpaid voluntary basis". Although having three members and trustee members is not a breach of the Academies Financial Handbook and having at least one trustee member is required per the Articles of Association of the Trust, it is not best practice. Section 1.3 states "the Department's strong preference is that trusts should have at least five members. Having more members provides for a more diverse range of perspectives and ensures members can take decisions via special resolution without requiring unanimity". Section 1.5 states "There should be significant separation between the individuals who are members and those who are trustees. If members sit on the board of trustees this may reduce the objectivity with which the members can exercise their powers. The Department's strong preference is for a majority of members to be independent of the board of trustees". 	<p>Recommendations</p> <ul style="list-style-type: none"> A member should be appointed to replace the Accounting Officer as member as soon as possible. Consideration should be given to increasing the number of members and having a majority of non-trustee members. <p>Priority : High</p>
Management Response		Timescale: 31 December 2021
	At the next FGB, this will be brought to the attention of the Governing body for resolution.	
Update 2022:		
	A member was appointed to replace the accounting officer.	

4	Access to online banking and bank statements	
	<p>Observations</p> <ul style="list-style-type: none"> Whilst the Business Manager was on sick leave, no-one was able to gain access to online banking nor obtain / review bank statements. It was noted that another member of staff had permission to gain access but could not do so, as their online access had been locked and not reset. <p>Implications</p> <ul style="list-style-type: none"> Although the Trust was able to manage its day to day finances in the short term by making payments by cheque it is difficult to properly monitor the finances of the Trust without access to the bank account. It is a requirement under section 1.31 of the Academies Financial Handbook 2020 that "The Accounting Officer must have oversight of financial transactions, by ensuring bank accounts, financial systems and financial records are operated by more than one person". 	<p>Recommendations</p> <ul style="list-style-type: none"> Action should be taken to ensure that at least two people have access to the online banking system. The Trust should have a contingency plan for the absence of staff in key roles. <p>Priority : High</p>
Management Response		Timescale: 31 December 2021
	Another member of staff did have access but was initially unable to access the information required. This has now been addressed.	
Update 2022:		
	Recommendation fully implemented.	

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

5	Management accounts and sharing of financial information	
	<p>Observations</p> <ul style="list-style-type: none"> • It was noted that although monthly management accounts had been prepared and shared with the trustees and discussed at trustees meetings, preparation of the accounts during the year was delayed, so in some cases the accounts were several months late. • It is noted that the delays resulted from the absence of the Business Manager due to illness, with delays both for the period of absence, and following, whilst the accounting records were brought up to date. <p>Implication</p> <ul style="list-style-type: none"> • This is not in compliance with section 2.19 and 2.20 of the Academies Financial Handbook 2020 relating to 'Monitoring the budget'. • It is difficult for the board to ensure appropriate action is taken to maintain financial viability including addressing variances between the budget and actual income and expenditure if the information presented is several months out of date. 	<p>Recommendation</p> <ul style="list-style-type: none"> • Action should be taken to bring the management accounts up to date as soon as possible. • The management accounts should be shared with the chair of trustees monthly and the other trustees six times a year on a timely basis. • They should be discussed when the board meets to ensure oversight of the financial performance and position of the Trust and to ensure compliance with the Academies Financial Handbook. <p>Priority : High</p>
	Management Response	Timescale: 31 December 2021
	<p>The accounts were considered by the FGB and Chair but minutes and/or emails to evidence this were unclear. We will ask the clerk to ensure that in future meetings the minutes, or subsequent emails from the governing body, make clear which accounts have been considered and when, in line with the handbook. An interim SBM will be sourced to bring the current monthly accounts up to date should the SBM not return by January.</p>	
	Update 2022:	
	Recommendation fully implemented.	

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

Appendix 1 – Surplus reconciliation

Set out below are the identified audit misstatements and other items that have been adjusted in the financial statements, showing a reconciliation between the surplus/(deficit) per the trial balance presented for audit and that reported in the final draft of the financial statements.

	£'000
Deficit per initial trial balance	(51)
Adjustments:	
Capital purchases	10
Depreciation	(27)
Late client adjustments re deferred income	4
Pension scheme FRS102 adjustment	(47)
Pension scheme FRS102 actuarial gain	578
Late accrual re actuary fee and rounding	(2)
Surplus per financial statements	<u>465</u>

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

Appendix 2 – Unadjusted misstatements

There are no unadjusted identified audit misstatements above the level of "clearly trivial".

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

Appendix 3 – Other findings from the audit

3.1 Views on significant qualitative aspects of accounting practice and financial reporting

Accounting policies

We have reviewed the accounting policies selected and operated. The academy trust has followed the standard policies common to most academy trusts and set out in the Academy Accounts Direction. No significant issues have been identified.

Accounting estimates and judgements

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the areas of judgement critical to the academy trust's financial statements are noted below.

Local Government Pension Scheme (LGPS)

Details of the major assumptions used by the actuary in his calculations are shown in the Pension and Similar Obligations note in the accounts.

This year has seen an actuarial surplus of £578,000 and a significant reduction in the net actuarial liability, leading to a surplus being reported as at 31 August 2022.

Pension scheme assets have suffered an actuarial loss in the year due to lower than anticipated returns. However, liabilities have seen a much larger actuarial gain as a result of a significant increase in the net discount rate used to measure future obligations.

The discount rate is determined by reference to market yields on high quality corporate bonds at 31 August 2022. Market conditions during the year and the increase in historically low interest rates means that the discount rate has more than doubled from 1.7% to 4.10%.

Despite the current high inflationary environment, the CPI assumption has only increased from 2.70% to 2.80%.

The Accounting Standard prescribes quite narrowly how the inflation assumption should be derived from market value at the year-end date. Therefore, the current period of high inflation is somewhat allowed for insofar as it is captured in long-term market expectations as at 31 August 2022, but is lower than the current annual rate of inflation.

We have considered the pension scheme assumptions and judgements, including the rationale behind the assumptions used and compared them to other schemes, and no significant issues have been identified.

Harpur v Brazel Ruling

In this case, the Supreme Court ruled that employees permanently contracted to work only part of the year, do not have a reduced holiday entitlement, and holiday pay should be calculated based on average pay, ignoring weeks where there are no earnings.

This will impact trusts where use has been made of term-time only or 'zero hours' staff, and holiday pay has been calculated based on days worked rather than full holiday entitlement.

We have discussed the ruling and the method of holiday pay calculation with management and concluded that the trust is affected by the ruling but has been unable to determine the expected liability, and has included details in the contingent liabilities note in the accounts.

Going Concern

The trustees' assessment of going concern is set out in the Accounting Policies note in the accounts.

We have considered this assessment and no significant issues have been identified.

South Ossett Infants' Academy Trust
Audit Findings Report - Year Ended 31 August 2022

Financial Statement Disclosures

We have nothing to report in respect of disclosures, as they are in line with the Academy Accounts Direction 2021/22.

3.2 Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit.

3.3 Significant matters arising from the audit that were discussed, or subject to correspondence with management

The impact of the Harpur v Brazel ruling was discussed as outlined in section 3.1 above.

3.4 Other matters significant to the oversight of the financial reporting process

There were no issues identified in the year ended 31 August 2022.

Appendix 4 – Draft letter of representation – Audit

Kingswood Allotts Ltd
Chartered Accountants
The Old Grammar School
13 Moorgate Road
Rotherham
S60 2EN

Dear Sirs

South Ossett Infants' Academy Trust

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy trust's financial statements and, as relevant, your assurance engagement on regularity for the year ended 31 August 2022. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

1. We have fulfilled our responsibilities as trustees, as set out in the terms of your engagement letter dated 23 August 2022 under the Companies Act 2006, for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the academy trust have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy trust, and with all other records and related information requested, including minutes of all management and trustee meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.
4. The financial statements are free of material misstatements, including omissions.
5. The effects of uncorrected misstatements are immaterial both individually and in total.
6. We are aware that you provide non-audit services. We understand that PAASE (Provisions Available for Audits of Small Entities) has been applied to permit financial statements production. Therefore we are satisfied that the potential threats to independence are small so non-audit services may continue.

Internal control and fraud

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
8. We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
9. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

10. The academy trust has satisfactory title to all assets and there are no liens or encumbrances on the academy trust's assets, except for those that are disclosed in the notes to the financial statements.
11. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
12. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

13. The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

Loans and arrangements

14. The academy trust has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

15. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

Laws and regulations

16. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

17. Related party relationships and transactions, comply with the academy trust's financial regulations, relevant requirements of the Academy Trust Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

Subsequent events

18. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

19. We believe that the academy trust's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy trust's needs. We also confirm our plans for future actions required to enable the academy trust to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy trust's ability to continue as a going concern need to be made in the financial statements.

Grants and donations

- 20. Grants made by the Department of Education and Education and Skills Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.
- 21. All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.
- 22. We confirm our previous request that the adjustments set out in appendix 1 of your Audit Findings Report be reflected in the financial statements.

Other matters

23. We confirm that the Trust is affected by the ruling in the Harpur v Brazel case. However, we are not currently able to accurately quantify the amount of backdated holiday pay and therefore it should be disclosed as a contingent liability note.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Yours faithfully

.....
R J Walker
Signed on behalf of the board of trustees

Date:.....

Appendix 4 – Draft letter of representation – Regularity

Kingswood Allotts Ltd
Chartered Accountants
The Old Grammar School
13 Moorgate Road
ROTHERHAM
S60 2EN

Dear Sirs

South Ossett Infants' Academy Trust

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to South Ossett Infants' Academy Trust and the Education and Skills Funding Agency (ESFA) for the year ended 31 August 2022. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy me that I can make each of the following representations. All representations are made to the best of my knowledge and belief.

General

- 1 I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between South Ossett Infants' Academy Trust and the Secretary of State for Education dated 28 November 2011 and the Academy Trust Handbook 2021.
- 2 I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.
- 3 I acknowledge my responsibility to notify the governing body and the ESFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy trust's funding agreement and have had due regard to the requirements of the Academy Trust Handbook 2021 in performing this duty.
- 4 Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the ESFA.
- 5 Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the academy trust's authorising framework.
- 6 Full and free access has been granted to the all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Yours faithfully

.....
T Shute - Accounting Officer

Date.....