

# External Audit Findings Report

Year ended 31 August 2023



12 December 2023

**COOPER PARRY**

Dear Sirs/Madams

**Shireland Collegiate Academy Trust – Report of audit findings for the year ended 31 August 2023**

The purpose of this report is to communicate to you the findings of our audit work in key areas and also to set out any matters arising during the course of our audit which we consider should be brought to your attention, together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit and assurance tests which are designed to assist us in forming our opinion on the financial statements and providing a limited assurance conclusion on regularity. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit and assurance tests, we would, of course, inform you immediately.

This report has been prepared for the sole use of the Trustees and Management of Shireland Collegiate Academy Trust. We understand that you are required to provide a copy of this report to the Education & Skills Funding Agency. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the Trust in mind and we accept no duty or responsibility to any other party. No responsibilities are accepted by Cooper Parry Group Limited towards any party acting or refraining from action as a result of this report.

We have complied with the Ethical Standards for Auditors and confirm that all threats to our independence, as identified to you in our external audit plan dated 20 October 2023, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

Finally, we should like to express our thanks to all members of the Trust's finance staff who assisted us during the course of the audit.

Yours faithfully



Cooper Parry Group Limited

# Contents

1.	Audit approach	1
2.	Summary of audit findings in significant risk areas and other key areas	2 – 4
3.	Audit adjustments and unadjusted misstatements	5
4.	Internal controls weaknesses and recommendations	6 – 7
5.	Other observations	8 – 9
6.	Regularity assurance engagement findings observations	10 – 11
7.	Outstanding matters	12
8.	Anticipated audit report	12
9.	Letters of representation	12
	<b>Appendices:</b>	
(i)	Key to action point priorities	13

# 1. Audit approach

There were no changes to our audit approach as set out to you in our External Audit Plan and no further significant risks were identified during the course of the audit.

Our assessment of audit materiality was as follows:

	2022/23 - final £	2022/23 - planned £	2021/22 - final £
Overall materiality – financial statement level (1% of total income)	388,000	380,000	340,000
Performance materiality (80%)	291,000	285,000	255,000
Trivial threshold (2.5%)	9,700	9,500	8,500

Any unadjusted misstatements greater than the trivial threshold are noted in section 3 on page 5.

## 2. Summary of audit findings in significant risk areas and other key areas

Work done	Findings and recommendations	Action priority	Management response / timetable for action
<b>Significant risk areas</b>			
<b>1. Income recognition</b> – the risk that income may be misstated as a result of improper income recognition.			
<ul style="list-style-type: none"> <li>• Reviewed the revenue recognition policy.</li> <li>• Performed substantive testing on grant income (revenue and capital), investment income and other income.</li> <li>• Confirmed GAG funding to pupil data and ESFA payment profiles.</li> <li>• Analytically reviewed income per pupil.</li> <li>• Performed cut-off testing around the period end and confirmed accrued and deferred amounts.</li> </ul>	<p>Our audit testing and enquiries in these areas were carried out satisfactorily. No significant matters arose which we feel should be brought to your attention.</p>	N/A	N/A – no action required
<b>2. Effectiveness of systems and controls</b> – to protect against fraud / irregularity risk and ensure appropriate application of funds.			
<ul style="list-style-type: none"> <li>• Review of finance manual, policies and procedures.</li> <li>• Review of internal audit work performed during the year.</li> <li>• Walkthrough/observation and enquires of the systems and controls.</li> <li>• Sample testing of key controls on income and purchasing.</li> <li>• Analytical review and sample corroboration of expenditure variances.</li> <li>• Review of journal postings and potential for management override.</li> <li>• Review of large/unusual transactions.</li> </ul>	<p>Our audit testing and enquiries in these areas were carried out satisfactorily. No significant matters arose which we feel should be brought to your attention.</p> <p>See section 4 for systems and controls weaknesses and recommendations noted.</p>	N/A	N/A – no action required

## 2. Summary of audit findings in significant risk areas and other key areas - continued

Work done	Findings and recommendations	Action priority	Management response / timetable for action
<b>Significant risk areas - continued</b>			
<b>3. LGPS defined benefit pension scheme deficit provision</b> – the risk that the valuation, accounting entries and/or related disclosures may be materially misstated.			
<ul style="list-style-type: none"> <li>Obtain 2023 actuarial valuations and reports, review and benchmark the key data and underlying assumptions used by the actuary to calculate the deficit liability, in order to ensure that these appear reasonable.</li> <li>Review the related disclosures in the financial statements to ensure that this is complete and compliant.</li> </ul>	Our audit testing and enquiries in these areas were carried out satisfactorily. No significant matters arose which we feel should be brought to your attention.	N/A	N/A – no action required
<b>Other key areas</b>			
<b>1. Compliance with key Laws &amp; Regulations</b> – instances of non-compliance with key laws and regulations could have a significant impact on the Trust.			
<ul style="list-style-type: none"> <li>Review of compliance with the Academy Trust Handbook 2022 and the Academies Accounts Direction 2022 to 2023.</li> <li>Enquires as to whether there has been any correspondence from ESFA in terms of regulatory, governance or financial management matters.</li> <li>Discuss with management and review Trust board minutes for indication of any known or suspected instances of fraud, breach of laws and regs, or breach of the Trust's own internal policies and procedures.</li> </ul>	Our audit testing and enquiries in these areas were carried out satisfactorily. No significant matters arose which we feel should be brought to your attention.	N/A	N/A – no action required

## 2. Summary of audit findings in significant risk areas and other key areas - continued

Work done	Findings and recommendations	Action priority	Management response / timetable for action
<b>Other key areas - continued</b>			
<b>2. Payroll/staff costs</b> - as the single largest item of revenue expenditure, there is a higher risk of undetected error.			
<ul style="list-style-type: none"> <li>Analytical review of staff costs – year on year and by average salary cost of teaching and support staff.</li> <li>Global reconciliation to payroll records.</li> <li>Payroll system walkthrough testing and sample testing of controls and payment authorisations.</li> <li>Sample testing of employees to contract of employment.</li> <li>Pension contributions testing for the TPS EOYC.</li> </ul>	Our audit testing and enquiries in these areas were carried out satisfactorily. No significant matters arose which we feel should be brought to your attention.	N/A	N/A – no action required
<b>3. Related party disclosures</b> - the risk that not all related party transactions may be identified and/or disclosed in the financial statements where necessary.			
<ul style="list-style-type: none"> <li>Review of register of business interests together with and Trust procedures for identifying and recording related party transactions.</li> <li>Sample Companies House and Charity Commission searches for other directorships / trusteeships.</li> <li>Review of the annual report and notes to the financial statements to confirm adequate disclosure made.</li> <li>Review of ledgers throughout audit testing for any indication of unidentified transactions.</li> </ul>	Our audit testing and enquiries in these areas were carried out satisfactorily. No significant matters arose which we feel should be brought to your attention.	N/A	N/A – no action required

### 3. Audit adjustments and unadjusted misstatements

We ask you to confirm in your letter of representation to us that you adopt the **audit adjustments** and that you are satisfied none of the **unadjusted misstatements** as summarised below should be adjusted in the financial statements.

	S-CAT £	SLL £	Unrestricted - general £	Restricted - general £	Restricted - pension £	Restricted - FAs £	Total £
<b>Surplus/(deficit) for the year per client (pre transfers)</b>	<b>22,685,413</b>	<b>(18,013)</b>	<b>(123,098)</b>	<b>228,414</b>	-	<b>22,562,084</b>	<b>22,667,400</b>
Contribution to capital expenditure	-	-	(400,118)	-	-	400,118	-
<b>Surplus/(deficit) for the year per client (after transfers)</b>	<b>22,685,413</b>	<b>(18,013)</b>	<b>(523,216)</b>	<b>228,414</b>	-	<b>22,962,202</b>	<b>22,667,400</b>
<b>Audit adjustments:-</b>							
1 Reverse revaluation	(23,868,663)	-	-	-	-	(23,868,663)	(23,868,663)
2 Correct profit accrual	(18,013)	18,013	-	-	-	-	-
3 Opening balance adjustment	(562)	-	-	(562)	-	-	(562)
4 LGPS operating costs adjustment	(583,000)	-	-	-	(583,000)	-	(583,000)
5 LGPS actuarial gains	5,661,000	-	-	-	5,661,000	-	5,661,000
<b>Net movement in funds per audited accounts</b>	<b>3,876,175</b>	-	<b>(523,216)</b>	<b>227,852</b>	<b>5,078,000</b>	<b>(906,461)</b>	<b>3,876,175</b>
Funds balance b/f	93,854,723	-	2,177,025	655,645	(5,078,000)	96,100,053	93,854,723
<b>Funds balance c/f</b>	<b>97,730,898</b>	-	<b>1,653,809</b>	<b>883,497</b>	-	<b>95,193,592</b>	<b>97,730,898</b>
<b>Unadjusted errors:-</b>							
<i>No errors identified</i>	-	-	-	-	-	-	-
<b>Unadjusted effect on funds</b>	-	-	-	-	-	-	-



# 4. Internal controls weaknesses and recommendations

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Update on prior year’s findings:

Control issue identified 2021/22	Potential implications and recommendations	2022/23 update	Action priority	Management response
<p><b>Employee contracts</b>                      Payroll substantive testing highlighted one unsigned contract as well as a missing salary review letter.</p>	<p>It was recommended that all employees have a signed contract of employment, as well as salary review letters on file to reduce the risk of any disagreements over employee terms and conditions, or changes in employee salaries.</p>	<p>No such issues in 2023 testing.</p>	<p>N/A</p>	<p>N/A</p>

## 4. Internal controls weaknesses and recommendations – continued

Current year findings:

Control issue identified 2022/23	Potential implications and recommendations	Action priority	Management response
No further issues identified to report.	N/A	N/A	N/A

## 5. Other observations

Update on prior year's findings:

Other areas where issues were identified during the 2022 audit	Potential implications and recommendations	2022/23 update	Action priority	Management response
<p><b>Management charge to SLL – VAT treatment</b> Staff costs are recharged by the Trust to its trading subsidiary, Shireland Learning Limited. It was noted that no VAT has been charged on this supply even though the entities are not within a VAT group.</p> <p>We would expect to see that VAT is charged on this supply unless the entities are part of the same VAT group registration, or the contracts of employment of the employees concerned stipulate that the employee can be asked to work for either entity.</p>	<p>Although there is no net loss to HMRC (i.e. VAT paid in one entity and reclaimed in the other) there is a risk of HMRC applying late payment interest charges on S-CAT, being the entity that has not declared and paid over the VAT.</p> <p>We understand that the Trust does not account for VAT on staff recharges on the basis that the staff can be seconded between the Trust and the subsidiary, however the contracts of employment do not seem to address this. We would recommend that a VAT group is considered as this would eliminate the need and remove the risk of HMRC taking a different view.</p>	<p>No changes from earlier years. Point remains applicable.</p>	<p><b>Low risk</b></p>	<p>Accepted – we will look into this further.</p>
<p><b>Depreciation of leasehold land</b> It was noted that no depreciation had been charged on leasehold land in previous periods. Owing to the fact that there is a lease term, we can therefore attribute a useful economic life to leasehold land and as such it should be depreciated.</p>	<p>An adjustment of £133,098 has been put through the current year accounts to retrospectively correct the depreciation carried forward figure for leasehold land.</p> <p>We recommend that depreciation now continues to be charged on leasehold land moving forward.</p>	<p>Depreciation fully accounted 2022/23.</p>	<p>N/A</p>	<p>N/A</p>

# 5. Other observations – continued

Current year findings

Other areas where issues were identified during the 2023 audit	Potential implications and recommendations	Action priority	Management response
No further matters identified to report.	N/A	N/A	N/A

## 6. Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2022 to 2023 issued by ESFA. We performed 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 included examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy Trust's income and expenditure. The work undertaken to draw our conclusions included:

- An assessment of the risk of material irregularity, impropriety and non-compliance across the Trust's activities
- A review of governance procedures, including board composition, structure, and review of minutes of meetings
- A review of financial budgeting and monitoring procedures, including content and regularity of management accounts and distribution to board
- A review of related / connected party transactions in accordance with internal processes and the Academy Trust Handbook
- A review and sample testing of internal financial controls, including the trust's own internal scrutiny procedures
- A review and sample testing of procurement procedures

We anticipate that we will issue an unmodified regularity assurance report for the year, subject to the satisfactory clearance of any outstanding matters outlined in this report.

## 6. Regularity assurance engagement findings – continued

Update on prior year’s findings:

Issue identified 2021/22	Recommendations 2021/22	2022/23 update	Action priority	Management response / timetable for action
N/A	N/A	N/A	N/A	N/A

Current year findings:

Issue identified 2022/23	Potential implications and recommendations	Action priority	Management response / timetable for action
<p><b>Companies House updates</b>                      It was identified that some appointments and resignations of Trustees were not reported to Companies House within 14 days.</p>	<p>The Academy Trust Handbook requires that changes are reflected at Companies House within 14 days. We recommend this is kept under review and a control introduced to ensure necessary forms are filed on time.</p>	Low risk	<p>Accepted.</p>

## 7. Outstanding matters

Prior to issuing our audit report we require:

- signed updated engagement letter;
- the approval of the accounts by the Trustees;
- the signed Letters of Representation.

## 8. Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of the outstanding matters outlined above.

## 9. Draft letters of representation

We have attached the draft letters of management representations required in connection with our audit.

# Appendix (i) Key to action point priorities

Our findings and recommendations are assigned an action priority status by reference to risk category, as detailed below:

<b>High risk</b>	The Trust is exposed to substantial risk which requires immediate remedial action by management with high priority timescales applied.
<b>Medium risk</b>	The Trust may be exposed to significant risks which therefore requires management attention to find a resolution within an agreed appropriate timescale.
<b>Low risk</b>	The Trust is not exposed to fundamental risks which require immediate action but management should ensure the control framework is further developed with the suggested improvements.
<b>Best practice</b>	The Trust is not presented with any issues creating significant risks on the control environment. Management are encouraged to consider these issues to ensure they adopt best practice.



**Engagement Team:**

**Audit Partner**

Kevin Hodgetts FCA

[kevin.hodgetts@cooperparry.com](mailto:kevin.hodgetts@cooperparry.com)

**Audit Associate Partner**

Nichola Venables ACA

[nichola.venables@cooperparry.com](mailto:nichola.venables@cooperparry.com)



Cooper Parry Group Limited  
Cubo Birmingham  
Office 401, 4<sup>th</sup> Floor  
Two Chamberlain Square  
Birmingham  
B3 3AX