

**PRIVATE AND CONFIDENTIAL**

# **SHIRELAND COLLEGIATE ACADEMY TRUST**

## **YOUR AUDIT FINDINGS REPORT**

**FOR THE YEAR ENDED 31 AUGUST 2020**



# SHIRELAND COLLEGIATE ACADEMY TRUST YOUR AUDIT FINDINGS REPORT

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## **DISCLAIMER**

Our audit findings report is prepared for the confidential use of your Academy Trust and forms part of our ongoing communications under International Standard on Auditing (UK) 260 - communication of audit matters with those charged with governance. The report highlights the key matters and issues arising from our audit and regularity assurance report on the Academy Trust's financial statements for the year ended 31 August 2020.

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

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

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



# YOUR AUDIT FINDINGS REPORT EXECUTIVE SUMMARY

## DEAR TRUSTEES

This audit findings report sets out the key matters and issues arising from our audit and regularity assurance report on the Academy Trust's financial statements for the year ended 31 August 2020. We know this is a busy time of year so we have summarised the key aspects of our audit findings for you below. More detail on each area can be found in the rest of the report.

## AUDIT AND REGULARITY STATUS

REPORT	UNMODIFIED
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Opinion on the audit report in the financial statements ✓

Assurance report on regularity in the financial statements ✓

*Subject to receipt of below information*

## OUTSTANDING INFORMATION

✓ Latest management accounts prior to sign off

## INTERNAL CONTROL IMPROVEMENTS

RISK	CURRENT YR	PRIOR YRS
High	-	N/A
Medium	-	N/A
Low	2	N/A

We were not auditors in the previous year, we have seen a copy of the issues raised by the Trust's former auditors.

We have not reported on previous year issues in our own report.

## KEY AUDIT RISK FINDINGS

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

## AUDIT ADJUSTMENTS

	REV £000	PEN £000	CAP £000
<b>Surplus per TB</b>	785	-	13,821
Audit adjustments	-	-	960
LGPS adjustments	-	(3,195)	-
Fund transfers	(296)	-	296
<b>NET MOVEMENT</b>	<b>489</b>	<b>(3,195)</b>	<b>15,077</b>

The total impact on revenue funds of unadjusted differences is £Nil.

## SHIRELAND LEARNING LIMITED

AUDIT PROGRESS	CONCLUSION
Audit opinion	Unmodified
Key risks	No issues arising
Audit adjustments	None arising
Internal control points	1 green MLP

# YOUR AUDIT FINDINGS REPORT

## FINANCIAL OVERVIEW

FUNDS	UNRES'D £000	RES'D £000	REVENUE £000	PENSION £000	CAPITAL £000	TOTAL £000
Income	1,631	21,375	23,006	-	1,297	24,303
Expenditure	(1,175)	(21,044)	(22,219)	(1,159)	(1,547)	(24,925)
<b>SURPLUS / (DEFICIT)</b>	<b>456</b>	<b>331</b>	<b>787</b>	<b>(1,159)</b>	<b>(250)</b>	<b>(622)</b>
Fund transfers	(298)	2	(296)	-	296	-
Free Schools	-	-	-	-	15,031	15,031
LGPS movement	-	-	-	(2,036)	-	(2,036)
<b>NET MOVEMENT</b>	<b>158</b>	<b>333</b>	<b>491</b>	<b>(3,195)</b>	<b>15,077</b>	<b>12,373</b>
Funds brought forward	1,405	485	1,890	(11,144)	45,493	36,239
<b>FUNDS CARRY FWD</b>	<b>1,563</b>	<b>818</b>	<b>2,381</b>	<b>(14,339)</b>	<b>60,570</b>	<b>48,612</b>

### UNPICKING THE RESULTS

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

The overall net operating revenue surplus for the year is **£787k**, after transfers to fund fixed asset additions, the net movement on revenue funds is **£491k**.

The overall operating reserves at 31 August 2020 are **£2,381k**

### CAPITAL RECONCILIATION

The table below summarises the unspent capital funds of the Trust.:

SCHOOL	B/FWD £000	INC £000	SPEND £000	TRF £000	C/FWD £000	ADD NBV OF FA's £000	FA FUND £000
DfC & Other capital grants	237	286	(786)	296	33	<b>59,515</b>	<b>60,570</b>
CIF	20	1,011	(9)	-	1,022		
Free Schools	-	15,031	(15,031)	-	-		
<b>TOTAL FUNDS</b>	<b>257</b>	<b>16,328</b>	<b>(15,826)</b>	<b>296</b>	<b>1,055</b>		

### SPLIT BY SCHOOLS

SCHOOL	B/FWD £000	MOV'NT £000	C/FWD £000
Shireland Collegiate Academy	637	(13)	624
Thorns Collegiate Academy	57	(67)	124
Holyhead Primary School	308	(63)	245
Tameside	(3)	387	384
Shireland Technology Primary	-	31	31
West Bromwich Collegiate Academy	-	159	159
Central funds	891	(77)	814
<b>TOTAL FUNDS</b>	<b>1,890</b>	<b>491</b>	<b>2,381</b>

# YOUR AUDIT FINDINGS REPORT

## AUDIT AND REGULARITY STATUS

### OUR AUDIT AND REGULARITY ASSURANCE APPROACH

There were no changes to our audit and regularity assurance approach as previously set out to you in our audit plan dated 4 September 2020.

### INDEPENDENCE

We have complied with the Financial Reporting Council's Ethical Standard for Auditors and all threats to our independence, as set out to you in our audit plan dated 4 September 2020, have been properly addressed through appropriate safeguards.

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

### OUR AUDIT AND REGULARITY ASSURANCE REPORTS

Our audit and regularity assurance fieldwork is complete and we have had a clearance and completion meeting with the Finance and Compliance Director and the Accounting Officer on 23 November 2020 where we reviewed the draft financial statements and discussed our audit findings including the contents of this report.

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

### OUTSTANDING MATTERS

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

- ✓ the signed letter of representation
- ✓ other outstanding matters as detailed on the Executive Summary.



# YOUR AUDIT FINDINGS REPORT

## KEY AUDIT RISKS

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

Our focus was drawn to the following areas:

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

# YOUR AUDIT FINDINGS REPORT

## KEY AUDIT RISKS (CONTINUED)

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

Our focus was drawn to the following areas:

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

# YOUR AUDIT FINDINGS REPORT

## AUDIT ADJUSTMENTS

From our audit work we identified certain audit adjustments. These have been discussed with Jane Kellas and certain of them have been adjusted for in the financial statements as follows:

	REVENUE £000	PENSION £000	CAPITAL £000
Surplus / (deficit) per pre-audit trial balance	787	-	13,921
Audit adjustments for:			
Accruing for CIF income related to roofing projects at Shireland, Thorns and Tameside that was awarded in Summer-2020 (note 1)	-	-	860
LGPS pension cost charges per FRS102 report	-	(1,159)	-
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>787</b>	<b>(1,195)</b>	<b>14,781</b>
LGPS actuarial movement in the year per FRS102 report	-	(2,036)	-
Fund transfers	(296)	-	296
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>	<b>491</b>	<b>(3,195)</b>	<b>15,077</b>

Note 1 – this was identified as a difference arising from the initial school level information provided, which was also identified by the Trust's management and reflected in the revised consolidated figures provided to us during the audit.

From our audit work no adjustments were made to the financial statements of Shireland Learning Limited.



# YOUR AUDIT FINDINGS REPORT

## AUDIT ADJUSTMENTS

### UNADJUSTED DIFFERENCES

Set out below are the unadjusted differences identified from our completed audit procedures which are not considered to be material to the financial statements. We would be grateful if you could review these and confirm to us, as set out in the letter of representation, that you are satisfied that none of these need to be adjusted for in the financial statements on the basis they are not material to the financial statements.

### SHIRELAND COLLEGIATE ACADEMY TRUST

UNADJUSTED DIFFERENCES IDENTIFIED	REVENUE £000	PENSION £000	CAPITAL £000
Reposting of debit balances on purchase ledger to sales ledger (£45,357)	-	-	-
Correction of prior year SALIX loan balances recognised as income (Note 1)	-	-	(95)
Correction of current year SALIX loan repayment set against loan balance (rather than expensed in the period) (Note 1)	16	-	-
Subsequent transfer between revenue and capital funds to recognise in year payment of SALIX loan (Note 1)	(16)	-	16
Recognising additional donation in relation to Shireland Technology Primary building (based on Sandwell statement of £7,224k in 2019/20)	-	-	34
<b>TOTAL IMPACT OF UNADJUSTED DIFFERENCES</b>	<b>-</b>	<b>-</b>	<b>(45)</b>

Note 1 - This matter was discussed in advance of the audit, and as the correction would not be material to the accounts, we were content that no adjustment was necessary. The difference is noted for completeness and transparency.

### SHIRELAND LEARNING LIMITED

From our audit work no unadjusted differences to bring to your attention for the financial statements of Shireland Learning Limited.

# YOUR AUDIT FINDINGS REPORT

## INTERNAL CONTROL IMPROVEMENTS



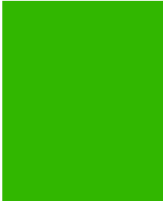
Our audit work included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate for the purposes of our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit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

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

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

This is our first year as auditors of the Trust.

In the prior year, the previous auditors raised 3 management letter points. As part of our work we have followed these up and where necessary and any unresolved matters have been carried forward to the current year.

RISK GRADE	DESCRIPTION	TRUST		SHIRELAND LEARNING LIMITED	
		CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR
	<b>HIGH RISK:</b> The improvements recommended are so fundamental to the system of internal control that action should be taken immediately to minimise the risk of material misstatement.	-	N/A	-	N/A
	<b>MEDIUM RISK:</b> The improvements recommended have an important effect on the system internal control such that a lack of action could lead to a material misstatement.	-	N/A	-	N/A
	<b>LOW RISK:</b> The improvements recommended would improve the system internal control generally in line with good practice, but are unlikely to lead to a material misstatement.	2	N/A	1	N/A



# YOUR AUDIT FINDINGS REPORT

## CURRENT YEAR IMPROVEMENTS

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p><b>PAYROLL CREDITOR - RECONCILIATION</b></p> <p>During the audit we noticed that there was a £65,959.67 difference between the payroll control account and a summary of the August-20 payroll reports.</p> <p>We understand that the payroll reports provided by the new payroll provider are different in format, and a Trust monthly summary is not being provided (but the finance team are in ongoing discussions to rectify this).</p>	<p>Although not material to the accounts, we recommend this matter is looked into internally and reconciliations performed going forward.</p>	<p>We are in ongoing discussions with Dataplan to produce a report that enables the payments to be reconciled to the figures within the accounts. At this moment we are querying this amount, which we believe relates to payments to West Midlands Pension Fund that have not been transacted.</p>
	<p><b>PURCHASE INVOICES – FINANCIAL PROCEDURES</b></p> <p>During our testing of purchase invoices, we identified the following hadn't been completed / entered in line with the Trust's financial procedures:</p> <ul style="list-style-type: none"> <li>- 6 (out of 28) invoices were not stamped as posted</li> <li>- 10 (out of 28) invoices were not stamped as paid</li> <li>- 6 (out of 28) invoices were recorded with a different date on PSF</li> </ul>	<p>We recommend that the Trust's financial procedures are followed to ensure appropriate recording (and a clear audit trail) of expenditure.</p>	<p>Agreed we will put on additional training this year to reinforce the Trust processes for recording of expenditure.</p>



# YOUR AUDIT FINDINGS REPORT

## CURRENT YEAR IMPROVEMENTS

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p><b>SHIRELAND LEARNING LIMITED</b></p> <p><b>INVOICING OF HR SUPPORT</b></p> <p>During our testing of income, it was identified that the company may not be retaining sufficient information on HR contracts.</p> <p>Some HR contracts are charged on a per head basis, the number of charges is extracted from a live spreadsheet. The record at time of billing is not saved.</p> <p>In the event of a dispute on charging with customers, it may be difficult to establish the correct position, which could weaken the company's position and possibly lead to a loss of revenue.</p>	<p>We recommend that a manual save of the spreadsheet is taken when the HR invoices are raised.</p> <p>This will help ensure a clear record is present, in case of dispute and help maintain a clear audit trail.</p>	<p>We will ensure a manual record is kept in future.</p>



# THANK YOU

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