St Catherine of Siena Multi Academy Company

Year ended 31 August 2019

Audit Findings Report

Audit / Tax / Advisory / Risk

Smart Decisions. Lasting value.

Crowe

Black Country House
Rounds Green Road
Oldbury, B69 2DG

The Trustees
St Catherine of Siena Multi Academy Company
C/O St Huberts Catholic Primary School
McKean Road
Oldbury
West Midlands

B69 4BA

December 2019

Dear Trustees

Audit for the year ended 31 August 2019

Following the completion of our audit fieldwork on the financial statements of St Catherines of Siena Multi Academy Company ("the trust") for the year ended 31 August 2019 we have pleasure in submitting our Audit Findings Report setting out the significant matters which have come to our attention during our audit(s) of which we believe you need to be aware when considering the financial statements. The matters included in this report have been discussed with the trust's management during our audit and at our closing meeting on 27 November 2019. Sarah Bray and Daniel Doyle have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant. Dave Darlaston and Eddie Shields will be attending your meeting on 11 December 2019 and will be pleased to provide any further information or clarification you may require.

We would like to express our appreciation for the assistance provided to us by the finance team and the other staff at the trust during our audit.

Use of this report

This report has been provided to the Board of Trustees, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Yours sincerely

Crowe U.K. LLP

Contents

Page

1. Audit overview

Audit scope and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the trust prepared by management with the oversight of the trustees and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit. No restrictions or limitations were placed on our work.

Communicating significant findings from our audit

We are required by ISAs to communicate with the trustees as "those charged with governance" various matters from our audit including:

- our views about significant qualitative aspects of the trust's accounting practices, including accounting policies, accounting estimates and financial statement disclosures,
- significant difficulties, if any, encountered during the audit,
- any significant matters arising during the audit and written representations we are requesting,
- circumstances that affect the form and content of our auditor's report, if any, and
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention. We have reported a number of matters relating to the trust's systems and controls in section 4.

You should note that our evaluation of the systems of control at the trust was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of systems and processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

Audit completion

We have substantially completed our audit in accordance with our Audit Planning Letter which was sent to you and the senior management team on 7 August 2019, subject to the matters set out below.

- Completion of the post-Balance Sheet events review.
- Review of the final financial statements.
- Receipt of the signed letter of representation.
- Outstanding items as per discussions at closing meeting

The final three items we have identified as outstanding are work we usually carry out just prior to us signing our audit report.

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of the outstanding matters. On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements.

We also expect to issue an unqualified Regularity Opinion.

Critical audit matters

We have identified completeness of income and management override of controls as being critical to the financial statements. We have considered these matters further in section 2 of this report.

Other key audit matters

In Section 3 we have also discussed in detail the findings from our work in relation to the following matters.

- Regularity and propriety reporting.
- Academies Accounts Direction (“AAD”) 2018-19
- Local Government Pension Scheme
- Controls over disclosures
- Other matters

Materiality and identified misstatements

As we explained in our Audit Planning Letter, we do not seek to certify that the financial statements are 100% correct; rather we use the concept of “materiality” to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment. The assessment of materiality is a matter of professional judgement but overall a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity of the trust and was set at approximately 1.5% of total incoming resources. We have reviewed this level of materiality based on the draft financial statements for year ended 31 August 2019 and are satisfied that it continues to be appropriate with 1.5% of income being £85,000.

We also report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be £2,750.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

Ethical Standards

We are required by the Revised Ethical Standard 2016 issued by the Financial Reporting Council (‘FRC’) to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the Revised Ethical Standard 2016 and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and the trust or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Legal and regulatory requirements

In undertaking our audit work we considered compliance with the following legal and regulatory requirements, where relevant.

- Companies Act 2006
- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS102) (effective 1 January 2015)
- Academies Account Direction 2018 to 2019
- Academies Financial Handbook 2018
- Applicable Accounting Standards

Financial statements

The trustees of the trust are responsible for the preparation of the financial statements on a going concern basis (unless this basis is inappropriate). The trustees are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

Trustee responsibilities

Under the provisions of the Companies Act, the Trustees' Report is required to include a statement confirming for each Trustee who was a Trustee at the time of the approval of the financial statements that:

- they have each taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- so far as they are aware there is no relevant audit information of which the trust's auditor is unaware.

This report has been prepared for the private use of the Trustees of the trust and its contents should not be disclosed to third parties without our prior written consent. We assume no responsibility to any other person who has access to this report.

2. Significant matters from our audit

We reported in our Audit Planning Letter a number of areas we identified as having specific audit risk including the potential risk from management override of controls which auditing standards deem to be a significant risk for all audits. We have commented below on the results of our work in these areas as well as on any key additional risks, judgements or other matters in relation to the financial statements of trust identified during our audit.

2.1 Completeness of grant and other income recorded in the financial statements

As part of our audit we have carried out the following testing and reviews on the trust's income:

- Agreement of the General Annual Grant through to the ESFA funding letter and receipts from the nominal into the bank;
- Agreement of a sample of other grant income from documentation to ensure correctly recorded and that any restrictions are adhered to;
- Review of pupil census to ensure that pupil numbers are in line with the funding numbers and that any clawback of GAG is accurate;
- Agreement of a sample of other income from supporting documents, ensuring that income is correctly accrued/deferred as applicable and that any restrictions are adhered to;
- Comparisons of income recorded to budgets and to schedule of income that we believe the trust is entitled to.

We have concluded that the trust's grant and other income recorded in the financial statements appropriately and completely reflects the income that the trust was entitled to during the year.

2.2 Management override of controls

Auditing standards require us to consider as a significant audit risk areas of potential or actual management override of controls. In completing our audit we have therefore considered the following matters.

Significant accounting estimates and judgements

Management have made a number of necessary significant accounting estimates and judgements which impact the financial statements. We identified the following for specific audit review:

- the assumptions adopted by management and used by the actuary to calculate the pension liability;

Controls around journal entries and the financial reporting process

We reviewed and carried out sample testing on the trust's controls around the processing of journal adjustments (how journals are initiated, authorised and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud.

We did not identify any instances of management override of controls or other issues from our sample testing of the trust journals. However, we note that journal processing can be an area of potential risk and it is good practice to include consideration of this within the overall trust risk assessment.

Significant transactions outside the normal course of business

We are required to consider the impact on the financial statements if there are any significant transactions occurring outside of the normal course of the trust's business.

No such transactions were notified to us by management, nor did any such transactions come to our attention during the course of our work.

2.3 Compliance, fraud matters and significant audit difficulties

Auditing standards require us to comment if any of the following have been issues during the audit:

- Significant delays in management providing required information.

- An unnecessarily brief time within which to complete the audit.
- Extensive unexpected effort required to obtain sufficient appropriate audit evidence.
- The unavailability of expected information.
- Restrictions imposed on the auditor by management.
- Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.
- Any occasion where management unreasonably refuse permission to obtain a confirmation request from a third party or where no other alternative audit evidence is available.
- Any breaches of laws and regulations.

We have no such matters to bring to your attention

2.4 Going concern

Under ISAs (UK) the revised audit report includes specific references to going concern. The directors' assessment that the going basis is appropriate has increased emphasis and importance and this is therefore an area to which we are required to pay particular attention.

The assessment must be in respect of a period of at least one year from the date of approval of the financial statements.

As part of our work on going concern we:

- Reviewed the period used by Directors to assess the ability of St Catherine of Siena Multi Academy Company to continue as a going concern.
- Examined budgets prepared by management covering the period of the going concern assessment to ensure these are appropriate.
- Reviewed any other documentation which the Directors use in assessing the going concern status and made any necessary enquiries of management.

3. Other matters from our audit

In addition to matters relating to the key areas of accounting and audit focus as reported in Section 2, we have also noted the following matters from our audit work which we should bring to your attention.

3.1 Regularity and propriety reporting

The types of procedure applied to obtain sufficient appropriate evidence to support the conclusion on the regularity of transactions in the financial statements of an entity are the same as those applied to provide assurance over any other financial statement assertion. However the level of work required to support a limited assurance conclusion may be less than that required to support a reasonable assurance conclusion.

The analysis needed to inform the regularity opinion goes beyond that required to support statutory audit work, but may involve normal sources of audit evidence as the evidence base is the same. In many areas, dual testing of the same sample could provide evidence to support both engagements.

An integrated approach is likely to bring efficiencies and enable a rounded picture of the trust's activities and this is the approach we have taken.

Our regularity opinion was formed from conclusions formed under the following headings:

- Delegated authorities – consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.
- Transactions with related parties – consideration and review of related party transactions, ensuring they took place at no more than "cost"; review of counter party declarations.
- Governance – review of budgeting procedures and consideration of instances of irregular activities.
- Internal control – review of authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- Other – consideration of "value for money".

No issues have come to our attention as a result of this work

3.2 Academies Accounts Direction ("AAD") 2018-19

There have been numerous changes in this year's version of the Accounts Direction that must be adhered to. We have summarised below the key changes that will impact on the financial statements of all trusts across the sector this year as follows:

- There is now a requirement that a copy of the annual report and financial statements must be sent to every member of the trust and to every person who is entitled to receive notice of general meetings;
- Clarification that the statement within the pensions note that Parliament guarantee the LGPS liability relates to academy trusts not individual academies. The TPS element has been updated to reflect that revised employer contribution rates are expected to be payable from 1 September 2019;
- Detail of the new requirements from 1 April 2019 to report all transactions with related parties to ESFA, obtain approval where certain limits apply and include confirmation of this in the related party transactions note;
- Irregular expenditure includes all alcohol and any excessive gifts including those purchased from unrestricted funds;
- Additional areas to consider when testing governance to support the conclusion on regularity.

Further details can be found in our Further Sector Developments document which accompanies this report.

3.3 Local Government Pension Scheme (LGPS) deficit

The LGPS pension liability has been recognised in the financial statements following receipt of the latest actuarial valuation as at 31 August 2019. The value of the liability at the year-end is £4,036 million which represents a 21% increase compared to the previous year.

We note that similar increases are being experienced by many other trusts in the local area and we have performed a comparison of the key assumptions to those used in similar trusts. We consider the assumptions to be reasonable.

The change in the balance sheet position over the year is mainly dependent on the following variables:

- **The performance of scheme assets during the year to 31 August 2019**

  Generally speaking scheme asset values have improved during the latter part of the year. The scheme invests largely in equities which have outperformed bond and gilt investments during the year. Equities have also outperformed the discount rate applied last year, leading to a gain in the scheme assets.

- **The price of corporate bond yields as at 31 August 2019**;

  The "present value" cost of providing employee benefits for the duration of the scheme is linked to the performance (the yield) of an AA rated corporate bond. Bond yields have slightly increased compared to last year, meaning the scheme liabilities are discounted at a higher rate than the assumptions adopted last year. All things being equal, this has the effect of reducing the value of the scheme's liabilities

- **Valuation of scheme liabilities at 31 August 2019**;

  Whilst the change in corporate bond yields is an important factor affecting the valuation of the scheme liabilities, so too is the assumed level of future inflation as this determines the rate at which benefits to members increase.

  The inflation rate this year has remained steady at 2.65% (2018: 2.65%) which means the market's view of future inflation is largely consistent with the assumption adopted last year. Over the previous two years, this differential has been higher, meaning the expected inflation of future members' benefits was moving faster than the liabilities were being discounted.

There have been some high profile cases which impact local government pension schemes:

The McCloud judgement

In December 2018 the Court of Appeal ruled against the government in the 'McCloud/Sergeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated. The government applied to the Supreme Court for permission to appeal this judgement and in June 2019 this permission was denied. We therefore recommended that you opted in for the inclusion of any potential impact in the 31 August 2019 valuation.

The actuarial valuation has been calculated to include any potential impact of this judgement.

Guaranteed Minimum Pensions (GMPs)

In 2018 the High Court ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs". Full GMP indexation will be applied to the LGPS pension liability once changes to the LGPS have been formally announced. Ultimately there is an obligation for an additional liability at the year end however most actuaries have considered the eventual impact to be immaterial.

According to HM Treasury, any impact of GMPs is unlikely to be material to the pension valuation and therefore no allowance for GMP equalisation has been made in the FRS102 LGPS pension liability for this year. We have recommended that a contingent liability disclosure note in included in the financial statements to inform the reader of the issue. Full GMP indexation will be applied to the LGPS pension liability once changes to the LGPS have been formally announced.

3.4 Controls over disclosures

We have nothing to report on the way in which disclosures have been prepared by management. Generally, disclosures provided to us were accurate and in line with the relevant legal frameworks.

3.5 Other matters

St Gregorys - severance accrual

The Severance payment agreement was signed pre-year end by the school, and was paid to the employee who agreed the amount post year end. As a result an accrual is required for the payment of £36,029.

St Huberts - debtors

Included in St Hubert’s debtors was a provisional amount for potential reclaim of building repairs given it was believed that the warranty would cover such costs. This however was found not to be the case therefore the balance of £5,085 has been written off through the SOFA.

MAC- Missing audit accrual

No accrual was included within the trust for the audit and accountancy fees as at 31 August 2019. These costs totalled £10,950.

St Gregorys - fixed assets

During the audit of fixed asset additions Climatize windows had been incorrectly capitalised. Firstly an invoice for £2,400 had been paid but not correctly capitalised from expenditure. Secondly an invoice for £5,760 which was not paid, as the asset was not actually purchased, had been capitalised in error. The overall impact of these two invoices is a reduction in fixed assets of £3,360.

All schools -school fund posting

The school fund income and expenditure had not been posted to the accounts, as a result there was a net understatement of surplus of £10,726 and £3,867 in St Francis Xavier and Our Lady St Huberts respectively. There was also a net overstatement of surplus of £3,363 and £886 in St Gregorys and St Philips respectively.

St Phillips- missing debtor

Expenditure includes a balance of £11,762 for suppliers paid twice in error, this money is being recovered through supplier correspondence therefore should be held in other debtors. This resulted in an understatement of surplus and assets.

All of the above have been adjusted for within the financial statements.

4. Internal control matters

We have set out below the key internal control matters identified during our audit work which we believe merit being reported to you. These matters have been categorised into the following areas:

- Matters arising in relation to regularity and propriety
- Matters arising in relation to system deficiencies and potential improvements

There are two matters arising during year ended 2019 in relation to regularity and propriety to bring to your attention which have been noted below.

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues raised by significance/priority before any corrective actions are taken.

Our evaluation of the systems of control at the trust was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of your business processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

	These findings are significant and require urgent action.	*(0 comments in this category)*
	These findings are of a less urgent nature, but still require reasonably prompt action.	*(3 comments in this category)*
	These findings merit attention within an agreed timescale.	*(2 comments in this category)*

Audit finding and recommendation	**Management response**
1. Sandwell council income During the audit of income it was not possible to obtain remittances from Sandwell council for Early years extended hours funding. This is due to Sandwell council not providing the remittances, income it confirmed via phone-call upon receipt of additional income. We recommend that confirmation is obtained in writing from the council to confirm that income is complete and to avoid potential clawback issues arising.	Sandwell council have been chased about income that is received without remittance, the only confirmation that they can provide is verbal however going forward an email could be requested.

Audit finding and recommendation	Management response
2. Sandwell payroll controls Three teachers could not be reconciled back to payroll reports, this was due to Sandwell issuing a late pay scale increase, and in the mean time they issued a notional increase. Once the pay scales had been finalised they issued the full increase to the new pay scales. We recommend that confirmation over individual's salaries is maintained to enable SCOS to review and confirm teacher's salaries.	Given it was a notional increase from Sandwell no new information was issued from the council until the updated pay scales were released. Payroll is reviewed before payment for any variations in contract.
3. Inter-academy reconciliations During our audit of inter-academy transactions it became apparent that there was no reconciliation of such balances. As a result a reconciliation had to be performed in order to eliminate these balances and transactions from the Trust accounts. We recommend that inter-academy balances are reconciled frequently in order to maintain control and ensure accuracy of inter-academy transactions.	St Catherine of Siena complete all reporting on a cost centre basis and therefore reconciliations are completed as such. The information required for audit was on a ledger code basis and discrepancies occurred due to timing differences over the year end. This required completion for audit

Audit finding and recommendation	Management response
4. Credit card statements not maintained During our regularity testing it was noted that not all of the credit card statements and supporting paperwork was available throughout the trust. As a consequence we were not able to sufficiently test the credit card expenditure to confirm that controls have operated properly and that expenditure is appropriate. It should also be ensured that the balance is repaid by the end of each month as this could constitute borrowing. We recommend that all credit card statements are kept in order to demonstrate that the controls in place are working effectively and that government monies are being spent as they should be.	Charge card statements have been paid in full on a monthly basis by direct debit. The statements have been received and processed accordingly with expenditure split between the relevant cost centres. The supporting paperwork can not be found for some statements however. Staff turnover within the offices has meant that we have been unable to speak to the individuals to confirm where this paperwork has been filed. A new finance system has now been introduced and all paperwork is now scanned in to the system. This combined with the fact that financial procedures including bank reconciliation and payments are now controlled by the central finance team will ensure that all paperwork is readily available to download from the system.
5. Declarations of interest During our testing of business declaration forms, it was found that not all forms have been received during the year. We were able to test all trustee forms with no issues. The AFH states that 'The academy trust's register of interests **must** capture relevant business and pecuniary interests of members, trustees, local governors of academies within a MAT and senior employees'. We recommend that all of the declaration forms are requested and held at trust level to ensure that all business interests are known to the trust so that the appropriate controls can be implemented in regards to transactions and possible contractual arrangements.	No members of the Senior Management Team are budget holders or have any influence over purchasing within the trust. Plans are currently being put in place to ensure that all of these connected parties are known by the trust.

5. Update from last year

We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2019 financial statements.

Recommendation fully implemented or no longer relevant		(7 comments in this category)
Recommendation partially implemented		(2 comments in this category)
No progress on recommendation		(2 comments in this category)

Please note that these colour codings are based on the status of the actions taken rather than the severity of the observation which is shown against the observation itself.

Observations in 2018	Update 2019
1. All schools – governance review The Academy Financial Handbook states that the Trustees should undertake a self-evaluation review to critically assess their effectiveness at governing the Multi Academy Company in meeting its objectives. No such review took place in the year ended 2018. We recommend that a review is done annually, and in regards to the missed 2018 review we recommend that a review be held at the earliest opportunity.	Competency Framework review completed and updated throughout the year.

Observations in 2018	Update 2019
2. St Philips – other grants Based on our sample testing of other grant income, it was found that the monitoring of this income was not always evidenced. It was unclear as to whether an effective review and control process was in place in order to determine that all of this type of income had been received. As per the trusts financial procedures in regards to grant income 'The main sources of income for the Academy are the grants from the DfE/ESFA – this is the General Annual Grant and is received each month. The receipt of these sums is monitored directly by the SBM who is responsible for ensuring that all grants due to the Academy are collected.' Therefore it appears as though the school may not be acting in line with the procedures as required. It should be noted that our testing has not highlighted any instance of missing grant income. We recommend that control is evidenced to confirm that all grant income is received and recorded within the financial statements.	The SCOS Strategic Finance Team centrally monitors income and expenditure against the budget to ensure that income/expenditure is as expected and to understand any new income streams.
3. St Philips and St Francis - salary letters Salary letters were not available for all members of staff (both teachers and non- teachers) due to the letters not being produced and kept in employee files. There is a risk that a member of staff could be paid incorrectly or potential for a lack of documenting evidence in the event of a dispute. We recommend that up to date salary letters are maintained in relevant staff files as evidence of a change in their terms and conditions.	Comment per prior year: Salary letters are now uploaded to the HR DSP portal rather than emailed or posted to schools. Salary letters will be downloaded and maintained together with contract variation/new starter forms and kept within individual HR files.

Observations in 2018	Update 2019
4. Trust wide - ledger postings **St Philips - Expenditure posting** Due to the ledger code restructure some expenditure has been posted in error, notably agency costs were posted to pension nominals. This results in gross salaries being understated by £51,937 and pensions being overstated by this amount also. **All schools - Social Security and Other Taxes** PAYE has been posted to a nominal account in other creditors which includes pension. Good practice would be for PAYE to be posted to its own account to enable ease of control and identification of errors. **St Francis pupil premium posting** Expenditure relating to pupil premium was posted against the pupil premium income nominal. As a result the income was understated and expenditure was understated by £5,211. Income and expenditure should be posted to separate nominals rather than netted off. **Our Lady St Hubert's - Posting accuracy** Accrued income had been posted to accruals and vice versa, overall this left assets understated and liabilities understated by £62,795. We recommend that journals are reviewed to ensure accuracy. We recommend a review of the new nominal code structure to ensure that staff are posting expenses to the correct ledger codes.	There were several instances in the current year where postings between income codes and income/expenditure codes had been made in error. All schools again had PAYE and the pension creditor posted to the same nominal. It was also noted this year that the accruals, prepayments and accrued income were all posted to the same nominal this year rather than being split out onto respective nominals. Due to Access being setup for the year ending 2020 some ledger code changes and cost centre structure changes were made. However this process was stopped during the year given the new system would setup of consistent coding across all four schools.
5. Multi Academy Company postings The figures for the Multi Academy Company have not been maintained or posted during the year and as a result an audit adjustment has been made to incorporate them into the trust. This adjustment amounted to £26,162. We recommend that the figures for the Multi Academy Company are introduced to the accounting system to allow for appropriate review of transactions and balances. It must also be noted that these figures should be incorporated into the trust wide figures regularly to ensure that they are incorporated properly into management accounts presented to the board.	Multi Academy Company postings have been maintained on the accounting system in the year and will be included on Access going forward.

Observations in 2018	Update 2019
6. St Francis - NCTL grant The Teaching School grant income and expenditure should be maintained in separate nominals and reviewed to monitor expenditure. Currently no procedures are in place for the review or reconciliation of grant expenditure. We recommend that the Teaching school income is reconciled to related expenditure to ensure that no overspends occur which may be in breach of the Academy Financial Handbook.	Teaching school is now monitored by cost centre as per Our Lady St Huberts. Also note this was the case for St Francis up until the teaching school dissolved January 2019.
7. All schools – Edubase Edubase has not been kept up to date with key Academy changes. Notably the members, accounting officer and trustees listing has not been updated. We recommend that Edubase is reviewed regularly and updated within 14 days of any changes to ensure information is correct as required by section 4.7.4 of the Academy Financial Handbook.	No updates made in the current year, there have been a lot of changes this year therefore an update is planned for the new structure in 2020. There have also been issues regarding access which the DFE are currently helping to rectify.
8. All schools - payroll reconciliation It was brought to our attention that payroll postings had been reconciled to expected budget figures in total only. There is a risk that employees could be incorrectly paid if the payroll run is not checked appropriately. This has led to issues on our entire payroll sample at St Francis which highlighted discrepancies between the sample chosen and the salary spreadsheet provided. Similarly, one third of the sample at St Philips had differences between the payroll and expectations based on the information given. The total difference across the sample came to £1,461. We recommend that payroll runs are confirmed as accurate before payment to avoid any pay disputes and errors. As per point 3 above, it must also be ensured that all employees have up to date salary letters.	The strategic finance team know of all variations and checks that all variations in any month have correctly gone through the payroll reports prior to payment. Comparison to budget was done on excel previously, however this will be done through Access electronically going forward.

Observations in 2018	Update 2019
9. Depreciation of land Leasehold land is currently being depreciated over 50 years as opposed to being over the lease term of 125 years. This will result in the land element of each leasehold property being depreciated too quickly. As per accounting standards, leasehold land should be depreciated over the life of the lease and not the expected life of the building, which would generally be a shorter time frame. We recommend that the land element is depreciated over the life of the lease.	Depreciated over 50 year in the current year, agreed should be 125 going forwards.
10. All schools – bank balances The bank balance on the trial balances provided did not agree to the August bank reconciliation. BACS payments made in September and October were posted against the bank and trade creditors in the wrong period. As a result, bank was understated by £133,757, trade creditors and accruals understated by £97,488, SSOT was understated by £31,439 and expenditure was overstated by £4,830. This has been adjusted in the financial statements. We understand this to be an issue with the system and the way BACS runs are posted. We recommend BACS payments are allocated to the period in which the payment run was processed.	Bank reconciliations are run monthly and agreed to the trial balance at the time. Note that the year-end authorised reconciliation required re-running due to year-end adjustments and resolution of incorrect reconciling items, payments and receipts. Individual schools are no longer involved in the bank reconciliation process or BACS runs processing to avoid duplication, control is held centrally by the SCOS strategic finance team. OLSH cheque in the incorrect period in 2019 audit- insurance payment cheque stub dated September and cleared bank post year end.
11. All Schools- Multi Academy Company bank account There are insufficient controls over accounting for the Multi-Academy Company bank account. This account is not accounted for within the FMS accounting system and is not reconciled. We strongly recommend that monthly reconciliations are completed to ensure that the balance is as expected. We recommend that the account is introduced into the main accounting system.	This has been reconciled on a monthly basis for the year ending 2019.

6. Reporting audit adjustments

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature.

Our audit approach is based on consideration of audit materiality as explained in section 1 of this report. We determine materiality for the purposes of the trust's statutory reporting by our judgement as to what adjustments would influence the readers' perceptions of the financial statements. We do not therefore seek to review all immaterial amounts.

For the purpose of reporting non-trivial items identified as a result of our audit work which have not been adjusted in the financial statements we set out in our Audit Planning Letter that we would report unadjusted misstatements greater than £2,750 unless they are qualitatively material at a lower amount.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

Follow us on:

@crowe

www.crowe.co.uk