

PRIVATE AND CONFIDENTIAL

INSPIRE EDUCATION TRUST

YOUR AUDIT FINDINGS REPORT

FOR THE YEAR ENDED 31 AUGUST 2020



INSPIRE EDUCATION 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.

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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 ✓

OUTSTANDING INFORMATION

- ✓ Updated financial statements from MLG
- ✓ Audit and regularity LOR

INTERNAL CONTROL IMPROVEMENTS

RISK	CURRENT YR	PRIOR YRS
	-	-
	4	3
	2	3

KEY AUDIT RISK FINDINGS

KEY RISK	CONCLUSION
Income recognition	No issues to note
Allocation of expenditure	No issues to note
Going concern	No issues to note
Management override	No issues to note
Related party transactions	Management letter points noted below
Retirement benefits	No issues to note

OTHER AREAS OF SIGNIFICANCE

There are no other areas of significance to bring to your attention.

AUDIT ADJUSTMENTS

	REV £000	PEN £000	CAP £000
Surplus / (Deficit) per TB	(383)	(1,944)	23,872
Client adjustments	14	-	(1,168)
Adjusted Surplus / (Deficit) per TB	(369)	(1,944)	22,704
Audit adjustments	57	-	-
LGPS adjustments	-	(5,042)	-
NET MOVEMENT	(312)	(6,986)	22,704

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

YOUR AUDIT FINDINGS REPORT

FINANCIAL OVERVIEW

FUNDS	UNRES'D £000	RES'D £000	REVENUE £000	PENSION £000	CAPITAL £000	TOTAL £000
Income	460	14,481	14,941	-	64	15,005
Expenditure	(90)	(14,754)	(14,844)	(639)	(631)	(16,114)
SURPLUS / (DEFICIT)	370	(273)	97	(639)	(567)	(1,109)
Fund transfers	(385)	385	-	-	-	-
Academy conversions or transfers	329	(738)	(409)	(4,929)	23,271	17,933
LGPS movement	-	-	-	(1,418)	-	(1,418)
NET MOVEMENT	314	(626)	(312)	(6,986)	22,704	15,406
Funds brought forward	1,121	626	1,747	(3,908)	13,022	10,861
FUNDS CARRY FWD	1,435	(NIL)	1,435	(10,894)	35,726	26,267

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 deficit for the year is £312,000. However £777,000 of deficit was transferred into the Academy Trust from Blue Coat Coventry and £329,000 surplus was transferred from Stockingford Primary.

The overall operating reserves at 31 August 2020 are £1,435,000.

CAPITAL

In total, the capital monies received during the year have been spent, leaving £6,000 remaining to carry forward to next year.

FUND	B/FD £000	INC £000	ADD £000	TFR £000	C/FD £000
DFC	91	64	(167)	18	6

SPLIT BY SCHOOLS

An analysis of the operating reserves balance split across the schools within the MAT are as follows:

SCHOOL	B/FWD £000	MOV'NT £000	C/FWD £000
CBA	289	(35)	254
WA	417	18	435
WCEA	582	(8)	574
HA	324	17	341
SA	-	343	343
BCCA	-	(549)	(549)
Central funds	135	(98)	37
TOTAL FUNDS	1,747	(312)	1,435

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.

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 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 Director of Finance and Accounting Officer on 3 November 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:

- ✓ Updated financial statements from MLG
- ✓ Audit and regularity LOR



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

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>MANAGEMENT OVERRIDE AND BIAS</p> <p><i>Is there any evidence of misstatement in the accounts due to management bias?</i></p>	<ul style="list-style-type: none"> ✓ 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. ✓ We reviewed areas of significant accounting estimation including consideration of the basis of relevant management / trustee assumptions. ✓ 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. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We did not identify any evidence of management override or bias in your accounting records or financial statements.
<p>RELATED PARTY TRANSACTIONS</p> <p><i>Are all related party transactions identified, approved and disclosed in the accounts?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the trust's register of interests to ensure completeness and compliance with AFH requirements. ✓ We tested all related party transactions to ensure that they have been undertaken in line with AFH requirements. ✓ We ensured that related party transactions have been appropriately disclosed in the financial statements, including trustee remuneration. 	<ul style="list-style-type: none"> ✓ There have been a couple of minor MLP's raised in due to how income is presented in the financial statements. ✓ We did not identify any additional related parties or transactions that require disclosure in the financial statements.
<p>RETIREMENT BENEFITS</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"> ✓ We obtained and reviewed a copy of the FRS 102 actuarial valuation prepared by your scheme actuaries. ✓ We reviewed the underlying data used in the valuation including a reconciliation of the contributions paid into the scheme. ✓ We benchmarked the valuation's underlying assumptions to ensure they were reasonable and in line with our expectations. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work in this area that need to be brought to your attention. ✓ We have concluded that the LGPS liability is not materially misstated and is correctly accounted for and disclosed in the financial statements.

YOUR AUDIT FINDINGS REPORT

AUDIT ADJUSTMENTS

From our audit work we identified certain misstatements in the financial statements. These have been discussed with the Director of Finance and Accounting Officer and all 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	(383)	(1,944)	23,872
Client adjustments	14	-	(1,168)
Surplus / (deficit) per post-audit trial balance	(369)	(1,944)	22,704
Audit adjustments for:			
Reanalysis of conversion balances and trip income in BCS	57	-	-
LGPS Academy conversions or transfers (please see below)	-	1,944	-
LGPS pension cost charges per FRS102 report	-	(639)	-
SURPLUS / (DEFICIT) FOR THE YEAR	(312)	(696)	22,704
LGPS actuarial movement in the year per FRS102 report	-	(1,418)	-
LGPS Academy conversions or transfers	-	(4,929)	-
NET MOVEMENT IN FUNDS FOR THE YEAR	(312)	(6,986)	22,704

UNADJUSTED DIFFERENCES

There were no unadjusted differences identified from our completed audit procedures.

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 our assessment of their potential risk to the Academy Trust according to the following grading system.

RISK GRADE	DESCRIPTION	CURRENT YEAR	PRIOR YEAR
	HIGH RISK: 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.	-	-
	MEDIUM RISK: The improvements recommended have an important effect on the system internal control such that a lack of action could lead to a material misstatement.	4	3
	LOW RISK: 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	3

YOUR AUDIT FINDINGS REPORT

CURRENT YEAR IMPROVEMENTS

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>VAT DEBTOR</p> <p>VAT 126 returns are not filed on a timely basis.</p>	<p>This could result in a delay in VAT reclaims from HMRC and hinders cashflow. We recommend that the returns are filed monthly.</p>	<p>Prior to Blue Coat joining the trust, VAT returns were made on a quarterly basis. We will now submit monthly returns.</p>
	<p>CREDIT CARDS</p> <p>It was noted that some samples selected did not have sufficient documentation.</p>	<p>In accordance with regularity and accounting standards, sufficient documentation must be kept. This could result in inappropriate expenditure and use of public funds.</p>	<p>Guidance will be issued to all office managers and charge card holders.</p>
	<p>RELATED PARTIES</p> <p>It was noted that not all related party transactions in the year were declared on the ESFA portal.</p>	<p>In accordance with the academy trust's internal processes and section 5.34 to 5.58 of the Handbook, trusts must ensure that all related party transactions are declared on the ESFA portal in a timely manner.</p>	<p>Process in place to ensure that related Parties transactions are declared on the ESFA Portal - Dedicated member of the Central Finance Team made responsible for this task.</p>
	<p>CAPITALISE COSTS</p> <p>It was identified that the Hearsall playground asset had not originally been capitalised.</p>	<p>This results in the understatement of fixed assets and overstatement of expenditure. It is recommended that expenditure is reviewed for capital items, particularly large projects, to ensure that assets are correctly capitalised on a timely basis.</p>	<p>To be incorporated into month end process to check for any Capital spend and to ensure that it is correctly coded.</p>
	<p>CREDIT CARDS</p> <p>It was noted that there are 25 credit cards in use within the Trust.</p>	<p>We would expect c.1 card per school. This may lead to difficulties with authorisation of school purchases and identification of any personal expenditure.</p>	<p>This method of payment is being reviewed and the number of Charge cards are being decreased. The growth of the Central Finance function will assist this process.</p>
	<p>DECLARATION OF INTERESTS</p> <p>It was noted that the declaration of interests disclosed on the Inspire Education Trust website were dated 14/06/2019.</p>	<p>In accordance with the academy trust's internal processes and section 5.34 to 5.58 of the Handbook, trusts must ensure that up-to-date declaration of business interests have been completed and published on the academy trust's website.</p>	<p>Process in place to ensure that the declaration of Interest register is reviewed at each meeting and a dedicated member of the Central Finance Team holds the responsibility for ensuring the Website is up to date.</p>

YOUR AUDIT FINDINGS REPORT

PRIOR YEAR IMPROVEMENTS

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>FIXED ASSET REGISTER</p> <p>The Trust doesn't maintain a fixed asset register that is updated regularly.</p>	<p>There is a risk that capital spend is not properly recorded, there is a requirement under the AFH that a register is maintained.</p> <p>We note that the Trust does have a separate asset management system in place for IT equipment and does monitor DfC income / spend, which provides some comfort over the monitoring of capital funds.</p>	<p>The trust feels that it has adequate controls over the fixed assets of the trust but will look to implement during 2019-2020 as the MAT becomes larger.</p> <p>REMAINS OUTSTANDING</p>
	<p>TRUSTEE APPROVAL</p> <p>From our testing on the purchasing of IT equipment we noted that even though the two orders exceeded £10,000 these weren't minuted as being approved by the Finance & Audit Committee, nor was there an audit trail to confirm that the Chair of Finance authorised the order on behalf of the F&A Committee.</p>	<p>There is a risk that unauthorised expenditure takes place.</p> <p>From discussions with the Business Manager (BM) we understand that this expenditure on IT equipment was in line with the Trust's IT Resource Strategy which was discussed verbally with both Chairs, the CEO and BM.</p>	<p>Authorisation of transactions will be minuted at meetings in addition to the verbal authorisation received in this instance.</p> <p>CLEARED POINT</p>
	<p>CONTRACTS OF EMPLOYMENT</p> <p>During the wages walkthrough we identified that a support staff member employed since 2008 did not have a contract in their personnel file.</p>	<p>Failure to issue contracts or obtain signed copies of contracts may result in an employee making a claim against the Trust.</p> <p>We recommend that all employment contracts are signed and retained in order to reduce any negative implications that can arise on a dispute between the employer and the employee due to a lack of formal documentation.</p>	<p>The trust will investigate this as it was an objective for the school to ensure that this was completed.</p> <p>CLEARED POINT</p>



YOUR AUDIT FINDINGS REPORT

PRIOR YEAR IMPROVEMENTS

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>RELATED PARTY TRANSACTIONS</p> <p>It was noted that the Connected Party Transactions Policy did not make reference to the relatively recent requirement for the Trust to report to the ESFA when an RPT arises, or to consider the need to gain prior approval if the contract amount is £20,000 or more.</p>	<p>The Trust has robust measures in place to identify and record connected /related party transactions, but should ensure its policy captures the latest requirements, as there is a risk that the Trust could be non-compliant if even small value transactions were not disclosed.</p>	<p>Noted – management will be reviewing all financial policies during 2019-2020 given the increase in MAT size.</p> <p>CLEARED POINT</p>
	<p>RELATED PARTY TRANSACTIONS</p> <p>Improvement has been made since the previous year in ensuring relevant Trustee interests are captured / updated via Declaration forms. However, it was noted that one Trustee didn't disclose all interests, it was stated that they were a Director at other schools, but the schools weren't specified.</p>	<p>Even if the Trust transacted with these unspecified Schools, they would be unlikely to be related / connected party transactions, it is still important to ensure that full disclosure is made to provide transparency, not just over financial reporting, but over the management of conflicts of interest in general.</p>	<p>Noted – management will be reviewing all financial policies during 2019-2020 given the increase in MAT size.</p> <p>CLEARED POINT</p>
	<p>TENDERING POLICY</p> <p>The Trust has a low threshold for requiring a tender exercise to be undertaken. During our testing on purchasing of IT equipment we noted that the combined contract value of goods ordered from a supplier exceeded the £10,000 level, but no formal tendering process was undertaken.</p>	<p>The Trust's finance policy is in place, in relation to procurement to help ensure value for money is achieved.</p> <p>In relation to two separate orders of £41,186 and £27,262 three comparable quotes were obtained and the cheapest supplier chosen. However, per the Trust's own rules a tender process should have been followed.</p> <p>We understand that the orders grew as the Schools pooled together to have a combined order, meaning this process was missed.</p>	<p>Noted – management will be reviewing all financial policies during 2019-2020 given the increase in MAT size.</p> <p>CLEARED POINT</p>

THANK YOU

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