



Report to the trustees and summary of audit findings

Kings Academy trust

Year ended 31 August 2020



1. Introduction

We are pleased to set out in this document our report to the trustees of Kings Academy Trust for the year ended 31 August 2020.

Our responsibilities as auditors are set out in the International Standards on Auditing (UK and Ireland) (“ISAs”). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We have carried out our audit in accordance with the terms of our engagement letter dated 07 August 2014 in order to express an audit opinion for UK statutory purposes on the financial statements of Kings Academy Trust for the year ended 31 August 2020.

In this report, we present the key findings from our audit, together with a commentary on the significant matters arising. The matters that have been reported are limited to those deficiencies identified during the audit which we have concluded are of sufficient importance to bring to the attention of those charged with governance.

This report has been discussed comprehensively and agreed with Amanda Nicholson and Claire Jones.

This report has been prepared for the sole use of the trustees of Kings 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, 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 academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Haines Watts towards any party acting or refraining from action as a result of this report.

We would like to express our thanks to all members of the academy trust’s staff who assisted us in carrying out our work.



2. Statutory audit communication

2.1 Objectivity and independence

We conducted our audit in accordance with the Code of Ethics of the Institute of Chartered Accountants in England & Wales and the Ethical Standards published by the United Kingdom Auditing Practices Board.

We have considered our independence and objectivity in respect to the audit for the year ended 31 August 2020.

In addition to auditing the financial statements we also provided, through other individuals, the following services to Kings Academy Trust for the year ended 31 August 2020:

- Preparation of the statutory financial statements.
 - Audit of the EOYC return.
 - Preparation of the Annual Accounts Return.
 - Assistance via service level agreement
 - Corporation tax advisory and compliance services
 - Maintenance of statutory records
 - Payroll services
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We have outlined below the safeguards that we have put in place to ensure that these services provided in 2019/20 do not cause any breaches in our independence and objectivity in relation to the audit.

Non audit service provided	Safeguards put in place to reduce the threat to our integrity, independence and objectivity
Preparation of the statutory financial statements	Internally the accounts are reviewed by a separate individual from those who have prepared the financial statements. The accounts are reviewed in full by those charged by governance of the academy trust to ensure they comply with ESFA guidance. Any accounting judgements required are made by the audit client.
Preparation of the Annual Accounts Return	The return is prepared from data in the statutory financial statements and as such is covered by those safeguards above.
Audit of the EOYC return	This service is provided by a separate individual from those who have audited the financial statements.
Assistance via service level agreement	This service is provided by a separate individual from those who have audited the financial statements.
Corporation tax advisory and compliance services	This service is provided by a separate individual from those who have audited the financial statements.
Maintenance of statutory records	This service is provided by a separate individual from those who have audited the financial statements.
Payroll services	This service is provided by a separate individual from those who have audited the financial statements.

Haines Watts charged £995 for completion of the Annual Accounts Return and £12,237 for other services (including the audit of the Teachers' Pension EOYC).

Haines Watts charged £6,000 for the audit of the academy trust.

To maintain our independence as auditors we can also confirm that:

- Haines Watts, its partners and the audit team have no family, financial, employment, investment or business relationship with the company; and
- audit and non-audit fees paid by the company do not represent a significant proportion of total fee income for either the firm or office.

We confirm that, in our professional judgement, the firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

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.
 - Academies Act 2010.
 - Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.
 - Academies Accounts Direction 2019 to 2020.
 - Academies Financial Handbook 2019.
 - Statement of Recommended Practice, Accounting and Reporting by Charities (FRS 102).
 - Applicable accounting standards.
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2.2 Audit approach and materiality

Our audit planning has taken account of the issues highlighted through discussions with Claire Jones, together with our knowledge and understanding of the academy trust.

We confirm that there were no restrictions on the scope of our audit procedures and we have been able to undertake our work as set out in our planning meeting.

In our planning we have taken account of the results of our risk assessments made in accordance with the guidance set by the ISAs. Our consideration of high risk areas is documented in full within section 3 of this report.

Based on this rigorous process we have used our professional judgement and formed a materiality level. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements and the value at which if errors, on their own or in aggregate, were uncorrected would result in a potential qualified audit opinion. The audit materiality of the financial statements as a whole has been set at approximately 1% of total incoming resources. We have considered this level of materiality based on the draft accounts for the year ended 31 August 2020 and are satisfied that it continues to be appropriate.

Underpinning materiality is a level of triviality, £1,000, at which any error or omission in excess of this value is recorded and reported to management.

In planning and carrying out our work, we applied a materiality level to Kings Academy Trust of £45,000 based on 1% of income.

2.3 Accounting policies

In preparing the financial statements of the academy trust, directors/trustees are required under FRS 102 to review the academy trust's accounting policies on an annual basis to ensure they remain appropriate to the academy trust's circumstances and are properly applied.

We have reviewed the accounting policies selected and operated by the academy trust, and are satisfied that they are acceptable.



2.4 Significant findings

There were no matters that we feel need bringing to the attention of the trustees.

2.5 Accounting estimates and judgements

The property is recorded in the accounts at valuation. The basis of the valuation is existing use value calculated on a depreciated replacement cost basis.

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used were as follows:

Fixtures, fittings & equipment	10 years straight line
Computer equipment	7 years straight line
Motor Vehicles	5 years straight line

Local Government Pension Scheme - the academy trust's share of the LGPS assets is measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities. Details of the major assumptions used by the actuary in its calculation are shown in note 17 to the financial statements.



2.6 Funding position at 31 August 2020

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objects of the academy trust and are restricted to both the day to day running of the academy trust and capital expenditure. The balance carried forward on this fund is a deficit of £2,009,000, being £431,000 general funds less the pension deficit of £2,440,000.

Restricted fixed asset funds are those funds relating to the long term assets of the academy trust used in delivering the objectives of the academy trust. The balance carried forward on this fund is £386,000. Additional analysis of this fund by nature has been provided to comply with the Academies Accounts Direction.

Unrestricted funds are funds to which the governing body may use in the pursuance of the academy trust's objectives and are expendable at the discretion of the trustees. The balance carried forward on this fund is £535,000.

2.7 Reconciliation of audited surplus/deficit

The surplus/(deficit) per the financial statements has been derived as follows:

	£'000
Surplus/(deficit) per the draft trial balance	157
Audit adjustments:	
Opening balance adjustments	2
Accruals	(1)
Capitalisation of assets	107
Depreciation	(99)
Rounding	(2)
Local Government Pension Scheme	<u>(895)</u>
Surplus/(deficit) per financial statements	<u><u>(731)</u></u>

There are no uncorrected material errors or omissions in isolation or aggregate.

2.8 Significant difficulties encountered during the audit

We did not encounter any significant difficulties during the audit.

2.9 Accounting and financial control systems

During our audit we examined the design and implementation of the internal controls relevant to the accounting systems and procedures.

The review of internal controls was carried out with a view to expressing an opinion on the financial statements for the year and was not directed primarily towards discovering weaknesses or towards the detection of fraud. Therefore our comments on these systems include only those matters that have come to our attention as a result of our normal audit procedures, and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made. Please refer to section 4 of this report.

2.10 Management representations

We include a copy of the draft management representation letter. There are certain specific representations which we are required by auditing standards to obtain from management as part of our audit procedures. In addition, we are required to obtain other representations on matters material to the financial statements where other sufficient appropriate audit evidence cannot be reasonably expected to exist.

2.11 Audit opinion

Based upon the findings and conclusions of our work, we expect to issue an unqualified audit opinion on the financial statements.



3. High risk audit areas

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Fund Accounting.</p> <p>Treatment of restricted and unrestricted funds.</p> <p>Funding providers will impose restrictions on the use of funds given to the academy trust. Such funds should be allocated to the statement of financial activities in accordance with guidance by individual funders</p>	<p>Incorrect disclosure of restricted and unrestricted reserves in the financial statements.</p>	<p>We reviewed the treatment of income and associated expenditure to ensure that funds relate to their specified category.</p> <p>Income and expenditure tested on a sample basis to confirm treatment correct. Review of income and expenditure headings on a line by line basis to ensure compliance with the Academies Accounts Direction.</p>	<p>There are no uncorrected material mis-statements in respect of the allocation between restricted and unrestricted reserves in the financial statements.</p> <p>No issues were found during our income and expenditure testing.</p> <p>Restricted and unrestricted reserves appear appropriate</p>
<p>Eligibility of payroll costs</p>	<p>The payroll function is outsourced. Our knowledge of the academies market has shown some error risk posed over outsourced payrolls.</p>	<p>We performed analytical procedures to ascertain whether the salary costs for the year were in line with our expectations. In addition, tests of control to ensure key controls are being adhered to.</p>	<p>Payroll costs in the financial statements do not appear to be materially mis-stated.</p>

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>FRS 102 Accounting for Pensions</p> <p>Treatment of the academy trust's share of pension scheme deficits</p>	<p>Incorrect treatment of the pension valuation.</p> <p>Financial statements are not prepared in accordance with sector accounting guidance.</p>	<p>We obtained the FRS 102 pension valuation as at 31 August 2020 and assessed the disclosures and accounting entries made by the academy trust.</p> <p>We confirmed that the basis of valuation was appropriate and that the disclosures made in the financial statements were prepared in accordance with FRS 102 and the sector standard as set out in Academies Accounts Direction.</p>	<p>Pension valuation and disclosures in the accounts appear reasonable in line with the valuation received and the Academies Accounts Direction requirements.</p>
<p>Income recognition</p>	<p>Grant/other income not being recognised in accordance with the Charity SORP (FRS 102) recognition criteria and per the underlying funding agreement.</p>	<p>The accounting policies adopted by the academy were reviewed, considering the guidance available in Charity SORP (FRS 102) and the recognition criteria of entitlement, certainty and measurement.</p> <p>A review of grant funding agreements was performed to determine whether the grant income had been recognised in the appropriate period.</p> <p>Discussions were held with management and meeting minutes reviewed to identify any unexpected one-off sources of income and to ensure that the accounting treatment is appropriate.</p>	<p>Income appears to have been appropriately recognised by the academy.</p> <p>The revenue recognition policy appears in line with the Academies Accounts Direction.</p>

Issue	Audit risk	Audit procedures undertaken	Conclusion
Going concern	It is the responsibility of the Trustees to assess the ability of the academy to continue as a going concern for a period of not less than 12 months following the anticipated date of sign off. This is a key risk given the current economic climate and pressures on government spending.	We have reviewed the considerations of management including cash flow forecasts and budget reports in relation to the going concern assumptions made.	We concur with the trustees' decision that going concern is an appropriate basis on which to prepare the accounts
Management override of internal controls	All control systems present the risk that they can be bypassed by senior members of the management team, leading to accounting entries and transactions being made without the need to follow the established systems and procedures	A suitable level of professional scepticism was applied throughout all areas of audit testing. We examined the significant accounting estimates and judgements applied to the accounts for evidence management bias that may represent a risk of material misstatement due to fraud.	No evidence of management override was found during our audit procedures
Payments made to related parties	That payments made to related parties are not in line with current guidance and the latest Academies Financial Handbook by being made at cost.	All related party transactions that have been identified have been reviewed to ensure that the most recent guidance has been followed correctly and that relevant documentation has been seen to prove this. Signed statements of assurance have been obtained.	Payments made to related parties are in line with current guidance and properly disclosed.

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Fixed asset valuation and impairment</p>	<p>That assets inherited on conversion are incorrectly valued.</p> <p>Where CIF projects are on-going, that these costs are capitalised and recognised as assets under construction appropriately.</p> <p>Compliance with FRS102 in carrying out impairment reviews where impairment indicators arise, such as going concern.</p>	<p>We have performed calculations on asset values on conversion to verify the amounts stated in the financial statements.</p> <p>We have performed cut off testing on capital projects on-going around the year end.</p> <p>We have considered whether any impairment indicators have arisen in the year and assessed the need for an impairment review.</p> <p>We have physically verified assets brought forward in the financial statements. We have verified a sample of asset additions to supplier invoices.</p>	<p>There is no evidence of material mis-statement in respect of fixed asset valuation and impairment. No issues were found during our audit fieldwork.</p>

4. Report of significant weaknesses in systems and internal controls

4.1 Introduction

We set out below the significant matters we became aware of during our audit, which relate to the effectiveness of the company's accounting and financial control systems. We have used the following grading system to indicate the significance of the issues we have raised and the priority that we believe should be given to our recommendations.

Rating	Description
High	Should be urgently attended to by the directors and management. These are significant issues that may result in a qualification in the audit report in future periods if not satisfactorily addressed.
Moderate	Issues requiring the attention of the directors and management. Issues ranked as moderate require close monitoring by the board and senior management to ensure timely resolution.
Low	Issues requiring management attention and correction. Issues ranked as low are generally routine in nature and should be resolved by general management. The board and senior management should be aware of these issues to enable monitoring of progress with their resolution. These issues may be reported to management in less detail than more highly rated issues.

Summary of audit findings for the year ended 31 August 2020

	Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
1	No skills audit has taken place this year. It was noted, at the time of audit, that a plan was underway to have this done with the Academy's lawyer. With the nature of the school, it was difficult to have people onsite during the COVID pandemic.	Potential for weak internal controls		Skills audit to be carried out in line with requirements, per section 1.19 AFH 2019.	Chief Operating Officer	Autumn Term 2020.
2	It was noted that not all members/ trustees completed pecuniary interest forms in the year.	Potential for related party transactions to take place without being aware of relationships with the parties.		Pecuniary interest forms to be completed for all members and trustees on annual basis or as and when someone is appointed in the year.	School Business Manager	Autumn Term 2020.
3	It was noted that in the majority of instances, ordering procedures were not being adhered to whereby the purchase orders were raised after the invoice date. And one case where an invoice was offsite for authorisation due to the member of staff not able to be onsite.	There is a risk of inappropriate use of school funds.		We advise that those members of staff with responsibility for ordering goods and services continue to be reminded of procedures, orders should be raised and authorised prior to placing the order for invoicing, and invoices should be authorised for payment.	Finance Director	Autumn Term 2020.

	Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
4	It was noted that on one BACS payment run, there was only one authorisation signature when two are required.	There is a risk of inappropriate use of school funds.		Per the academy's finance manual, two authorisations are required for payment to be made. We recommend ensuring procedures are followed.	Finance Director	Autumn Term 2020.
5	It was noted during audit that there was unspent bursary funding from 2019 still to carry forward to 2021.	There is a risk that the academy is not compliant with the conditions of funding as set out by the ESFA. Any funding that is still unspent after an accounting period greater than 12 months (dating back to 2017) must be declared and returned to the ESFA.		We recommend notifying the ESFA of any unspent bursary funding that needs returning as per guidelines set out by the ESFA.	Finance Director	Autumn Term 2020.
6	It was noted that appointments/resignations for members of the board and trustees have not always been updated across both websites in the trust and with Get Information About Schools.	Potential impact on ESFA view of governance if consistently filing late.		Website to be altered within 14 days of any changes.	Chief Operating Officer	Autumn Term 2020.

5. Status of audit recommendations from previous year

During the course of the audit we revisited the audit recommendations from the previous year's audit management letter and set out below the status of these recommendations.

Observations in 2019	Update in 2020
No skills audit has taken place this year.	No skills audit has taken place in 2020, academy was in the process of sorting at the time of audit.
The academy trust has not updated the government website Get Information About Schools for changes to trustees and members within required deadlines.	The same issue was encountered in 2020 audit.
Not all members/ trustees completed pecuniary interest forms in the year. It was also known that one of the forms was from a person who will have related party transactions in the year.	The same issue was encountered in 2020 audit.
Not all new employees tested have had "new employee forms" completed and filed in their personnel file.	No issues noted during audit.
There were a significant amount of purchase invoices which had not been authorised at the time of the audit. These were found to be awaiting signature in a pile separate from the main filing.	Other issues with purchasing procedures encountered during 2020 audit.
No evidence of responsible officer visit reports being discussed at relevant meetings.	No issues noted during audit.
No receipts kept for subsistence expenditure on charge card during trip.	No issues noted during audit.
We have not been provided with sufficient evidence to show that the right number of quotes are being obtained for purchases in excess of £5,000.	No issue noted during audit.

6. Regularity

There were no regularity, propriety and compliance matters that we became aware of during our audit, which relate to the responsibility to ensure that public money is spent for the purpose intended by Parliament (regularity) and a responsibility to ensure that appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under the academy's control (propriety).

