JAMESCOWPER KRESTON
Accountants & Business Advisers

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The Trustees
Ashley Hill Multi Academy Trust
White Waltham C. of E. Academy
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22 November 2022

Dear Trustees

**REPORT TO THOSE CHARGED WITH GOVERNANCE**

As part of the audit and regularity assurance engagement for the year ended 31 August 2022 we are required to report our audit findings to the Trustees. Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

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

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning communication letter 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.

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

Finally, we would like to express our thanks to all members of the academy's staff for the assistance afforded to us during the audit.

Yours faithfully

James Cowper Kreston

**James Cowper Kreston**
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**POINTS NOTED DURING THE COURSE OF OUR AUDIT FOR THE YEAR ENDED 31 AUGUST 2022**

**Anticipated audit report**

We anticipate issuing an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding the matters outlined in this report.

**Summary of audit issues**

| Significant risk areas identified at planning stage | Conclusion |
|---|---|
| **Management override** - Under the ISAs, risks arising from management override of the Academy's procedures and controls is always presumed to be a source of significant financial statement risk. | During the audit fieldwork we tested a sample of journal transactions and reviewed areas of specific management judgment and estimations. No evidence of management override was noted. We also reviewed the accounting policies to ensure that the accounts are in line with the Accounts Direction. |
| **Income recognition** - Again under the ISAs, risks arising from income recognition are generally always presumed to be a source of significant financial statement risk. | Our audit approach involved performing analytical review procedures and other substantive tests of income transactions. This included testing a sample of income transactions (including revenue and capital grants) to source documentation to ensure income has been recognised in the correct period. |
| **Related parties** – Transactions and disclosures in the financial statements. | We reviewed the list of related parties provided by the Trustees to ensure all transactions have been identified and disclosed in the financial statements. We tested Trustees remuneration, to ensure appropriate disclosures have been made. The disclosures were deemed to be in line with the requirements of the Accounts Direction and other relevant accounting standards. |

**Outstanding matters**

The following matters are outstanding to be resolved prior to issuing the audit report:

- Signed letters of representation

**Internal controls**

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

| Priority (High/ Medium/ Low) | Control weakness identified | Potential implications | Recommendation | Management's response |
|---|---|---|---|---|
| Low | At the year end, accrued income and deferred income balances had not been calculated correctly. | Income may not be recorded in the correct period. | Ensure accrued and deferred income balances are calculated at the year end correctly and any prior year amounts are reversed. | Audit has corrected previous years accruals and prepayments. Going forward this will be maintained on a monthly basis. |
| Medium | The fixed asset register did not agree to amounts included in the trial balance. | Fixed assets may be incorrectly stated. Depreciation charges may have been incorrectly calculated. | The fixed asset register should be agreed to amounts included in the trial balance. | Audit has corrected historic fixed asset register. The fixed asset register is now held on Xero and depreciation is calculated automatically each month. The fixed asset register will be checked regularly against the trial balance. |

**Summary of audit differences**

During the course of the audit, we identified certain misstatements in the financial statements prepared by management.

Those misstatements have been discussed with management and have been corrected in preparing the final statutory accounts.

There are no unadjusted misstatements.

**Draft letter of representation**

Attached is a draft letter of management representations. We would be grateful if you could print this off on headed paper, arrange its approval, along with the approval of the financial statements, and return a signed and dated copy. We also attach a draft letter of representation to cover certain representations as required as part of our regularity assurance engagement (see below for more details).

**Other matters we are required to report**

Auditing Standards require us to report to you any significant matters arising from the audit, in respect of the following:

- Actual or suspected instances of fraud
- Material weaknesses in internal control
- Disagreements with management in respect of significant matters
- Matters relating to our independence that have not already been communicated to you.

We confirm that we have nothing to report to you in respect of the above.

**Regularity Assurance Engagement**

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2021 to 2022 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The ESFA has no right by virtue of the regularity engagement to place reliance on the work and the opinion we form in respect of our statutory financial statements audit of the academy trust.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement included examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure. The work undertaken to draw our conclusions included:

- reviewing the minutes of the meetings of the Board of Trustees and other evidence made available to us, relevant to our consideration of regularity;
- a review of the objectives and activities of the academy, with reference to the income streams and other information available to us as auditors of the academy;
- testing of a sample of payroll payments to staff;
- testing of a sample of payments to suppliers and other third parties;
- testing of a sample of grants received and other income streams;
- a review of activities to ensure compliance with the Academies Financial Handbook and the Accounts Direction

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

**Emerging issues**

We have summarised below some of the developments within the academy sector over the recent period. Please note that this information is provided as a summary only and that you should seek further advice if you intend to act based upon the information.

We issue regular academy updates via email, if you would like to receive our updates, please email your details to info@jamescowperkreston.co.uk. Alternatively, these briefings are available on our website together with webinars on academy related topics.

*Academy Trust Handbook (formerly Academies Financial Handbook)*

The Academy Trust Handbook 2022 covers the financial framework for Academies and matters such as financial governance and financial management, roles and responsibilities and delegated authorities and freedoms. It is important to note that these changes in the 2022 Handbook are effective from 1 September 2022. Changes are minimal this year and include:

- financial reporting: confirming the withdrawal of the budget forecast return outturn (BFRO)
- special payments: clarifying that prior approval of staff severance payments only applies to 'special' (non-statutory/non-contractual) payments
- indemnities: confirming that trusts will be able to enter into indemnities which are in the normal course of business without seeking approval.

We would recommend that all trustees review part 8 of the Academy Trust Handbook, which includes the top ten 'musts' for chairs and other trustees.

*Filing requirements*

The date by which you must send your financial statements to the ESFA is 31 December 2022. You will need to submit the management letter, accounts submission coversheet and internal scrutiny annual report at the same time as your financial statements. The deadline for submitting your accounts return is 19 January 2023.

You must also continue to publish your financial statements on the trust's website promptly, with a deadline of 31 January 2023.

The ESFA have released a useful guide to submitting your audited financial statements -
https://www.gov.uk/guidance/academies-accounts-direction#submitting-your-2021-to-2022-financial-statements

*Energy costs - Energy Bill Relief Scheme (EBRS): help for academies*

This scheme will provide energy bill relief for academies across the UK. Discounts will be applied to energy usage initially between 1 October 2022 and 31 March 2023. The discount is automatic. If you get a message asking for your bank details, this could be a scam.

The scheme will be available to all academies who are:

- on existing fixed price contracts that were agreed on or after 1 December 2021
- signing new fixed price contracts
- on deemed / out of contract or variable tariffs
- on flexible purchase or similar contracts

Suppliers will apply reductions to the bills of all eligible non-domestic customers. The government will compensate suppliers for the reduction in wholesale gas and electricity unit prices that they are passing onto academies.

The scheme is currently limited to a 6 month period, but will be reviewed in late 2022/early 2023. The uncertainty of any further support will mean that producing meaningful budgets for the 2023 year end will be very challenging, and costs will need to be carefully considered at a time when budgets are already tight.

*Reserves*

At the end of April the ESFA published a short paper on academy sector reserves. This provides a number of statistics relating to the revenue reserve position of Academy Trusts for the year ended 31 August 2021 and compares the position with the previous year. All of the reported statistics indicate an improving financial position for academy trusts. However, this may also indicate that trusts are accumulating funds for the future that are intended to be spent on today's students.

As a result, an additional requirement of the Budget Forecast Return this year was the requirement for Trusts holding a revenue balance of 20% or more of their usual annual revenue income to provide further information in relation to why the trust is holding its reserve balance.

Going forward, trusts should give consideration to both the levels of reserves they are holding and their reserves policy.

*Chart of accounts*

The academies chart of accounts (CoA) is the Department for Education's (DfE's) standard for financial data that underpins the academies accounts return and budget forecast returns, with the primary purpose being to align financial data across the sector as well as providing the opportunity for automatic population of the Academies Accounts Return and Budget Forecast Returns. Whilst it is not mandatory for academies to adopt this CoA, the DfE are expecting that most academies will adopt. A detailed guide for trusts wishing to adopt is available via the following link:

www.gov.uk/government/publications/academies-chart-of-accounts/guide-to-adopting-the-academies-chart-of-accounts

Webinars are also available throughout the Autumn term talking through the Chart of Accounts and automation, and dial in sessions to ask questions about the process and experiences from those who have already adopted the CoA are also taking place. Details are available on the Gov.uk website.

*Fraud*

The ESFA have been made aware of an attempt by a fraudster to request the bank details of an education provider. In this case, the fraudster had created a very similar email address to the correct email address of the supplier, as well as using correct contact names. Any allegations of suspected fraud or financial irregularity should be reported to the ESFA, and they have published a guide on cybercrime and cyber security to help raise education providers' awareness which can be accessed via the following link:

https://www.gov.uk/government/publications/indicators-of-potential-fraud-learning-institutions/guide-on-cyber-crime-and-cyber-security-for-education-providers

*Benchmarking report*

It is becoming more important than ever to keep control of costs and be innovative. Benchmarking data should be used to understand financial performance and to guide decision making.

Every February we publish a benchmarking report specifically for our academy clients. The report will include information from over 400 Trusts representing more than 1,500 schools that are clients of the constituent members of the Kreston Academies Group. The report should be of use to Business Managers, Accounting Officers and trustees and should provide real insight into emerging trends within the sector. We recommend that you review the report and we would be happy to help with any queries.