

Park Road Sale Primary School

Audit Review and Management Letter

Year ended 31 August 2023

Private & Confidential



1. INTRODUCTION TO AUDIT REVIEW AND MANAGEMENT LETTER

We are pleased to present our Audit Review and Management Letter for the year ended 31 August 2023.

Our audit strategy included:

- Updating background information on the academy (including significant accounting policies and laws and regulations) through discussions with management, a review of the latest financial information and board minutes
- Reviewing management's processes to assess whether the academy is a going concern
- Updating our understanding of the academy's key business processes (including processes over journal entries) and the key controls over those processes through discussions with management
- Evaluating the design of the key controls (including IT controls) over risks which could lead to material misstatement in the financial statements and determining whether those key controls have been properly implemented
- Assessing the academy's susceptibility to fraud which could result in a material misstatement in the accounts
- Obtaining a list of the academy's related parties, regardless of whether transactions have taken place
- Analytically reviewing the draft financial information

From these, and other planning steps, we identified significant audit risks which are described in section 2.

We have audited the income and net assets statements through detailed testing of transactions and year-end balances.

Appendix 1 contains further details about our audit approach and appendix 3 summarises changes to audit and future changes to lease accounting regulations

2. SIGNIFICANT AUDIT RISKS

We focus our audit effort on significant audit risks. The tables below set out what we believed were the significant audit risks arising from the planning stage of our audit:

Management override of control and related parties	
Significant risk	Our approach
There is an inherent risk that management may not present the financial statements fairly to the stakeholders	<p><i>ISA 240 requires us to treat management override of control as a significant risk and to perform these procedures</i></p> <ul style="list-style-type: none"> Review areas of management judgement and estimation of useful economic lives of tangible fixed assets and LGPS assumptions and evaluate whether they represent a risk of material misstatement due to fraud Review manual journal entries and other adjustments made at the end of the reporting period and post-year end (using data analytics where we consider it appropriate) for evidence of fraud Consider the need to test journal entries and other adjustments throughout the reporting period for evidence of fraud Perform bank scrutiny testing to gain assurance that payments and receipts relate to bona fide business transactions. Specifically consider the risk of fraud in related party relationships and transactions including unusual relationships / transactions
Our conclusion	
<p>Upon review of the useful economic lives of the fixed assets we note that there are assets totalling £145k included within IT equipment and £275k included within fixtures, fittings and equipment that have been fully depreciated and are therefore at £nil net book value in the accounts. We would recommend that a review of the fixed assets held is undertaken and any assets that are no longer in use by the academy are written off the fixed asset register. Per discussions with management we note that a review of the fixed assets is planned for 2023/24.</p> <p>From our review of journal entries and other adjustments at the end of the reporting period, we did not identify any indicators of fraud. We did not consider it necessary to test journals throughout the reporting period.</p> <p>From our review of bank scrutiny testing, we did not identify any indicators of fraud.</p>	

Fraud in revenue recognition	
Significant risk	Our approach
Controls are overridden to misstate existence or cut-off of grant income	<p><i>ISA 240 requires us to presume that there is a possible fraud risk (and hence significant risk) over revenue recognition unless the presumption can be rebutted. We have not rebutted the presumption.</i></p> <ul style="list-style-type: none"> • Confirm that grant revenue has been recognised in accordance with the SORP performance model for grants • Reconcile ESFA grant revenue receivable to ESFA documents • Confirm that any claw-back of ESFA grant revenue has been included in the correct period
Our conclusion	
<p>We concluded that grant revenue has been recognised in accordance with the SORP performance model.</p> <p>Our reconciliation of ESFA grant revenue has not identified any significant misstatements. A small number of immaterial errors were identified on cut off of grant recognition (see Section 8). This was in relation to grant income received pre year end which relates to the 23/24 financial year not deferred, and grant income not yet received in relation to July and August 2023 that has not been accrued for. Some of the errors occurred in the prior year, meaning the net effect on the current financial year of each error is trivial. As discussed with management, we have adjusted for the cut off errors for the current year to ensure the deferred and accrued income balances as at the year end are correctly stated.</p> <p>We did not identify any ESFA claw-back included in the incorrect period.</p>	

Fixed assets	
Significant risk	Our approach
Existence or valuation of fixed assets	<ul style="list-style-type: none"> From enquiries with management the fixed asset register will be updated for additions and disposals made during the year and the carrying values of assets will be reviewed. Additions and disposal testing will be performed. Fixed asset verification will be performed to verify the existence of the assets held by the academy.
Our conclusion	
<p>We would recommend that management improve the controls over the fixed assets (see Section 6). The academy are currently in the process of engaging with an external auditor to conduct an audit of the assets held by the academy to enable them to implement controls in this area. Due to the disruption caused by the flood in the current year this exercise will be completed in the 23/24 financial year as noted above.</p> <p>From the testing performed no concerns have been identified in relation to the existence of the assets held by the academy.</p>	

Going concern	
Significant risk	Our approach
The academy may not have assessed or disclosed material uncertainty over its ability to continue as a going concern	<ul style="list-style-type: none"> We have reviewed the financial plans, budgets and forecasts prepared by management to support the going concern assumption. We have considered whether the forecast position, including the key underlying assumptions appear reasonable and whether any material uncertainties exist. We have also considered whether the related disclosure in the financial statements is clear and appropriate.
Our conclusion	
<p>We have reviewed budgets for the next three years for the academy and note that for the 2023/24 year the academy forecasts an in-year surplus of £118k, therefore supporting the view that the academy is a going concern.</p> <p>Future forecasts predict that this in year surplus will reduce, being £75k in 2024/25 and £14k in 2025/26 however as this is still a surplus we do not have any concerns.</p>	

Regularity	
Significant risk	Our approach
The academy trust required to comply with the provisions of its funding agreement with the Secretary of State and the Academies Financial Handbook	<ul style="list-style-type: none"> We enquired of the trustees about non-compliance with laws and regulations We considered evidence obtained through our work detailed in Section 10 to support our regularity conclusion <hr/> <p><i>We also provide a limited assurance conclusion on regularity which is explained in Section 10 of this report.</i></p> <hr/>
Our conclusion	
<p>We did not identify any incidents of non-compliance with laws or regulations.</p> <p>From the regularity work completed no significant concerns were identified. It was identified during the year the usual procurement process was not followed in relation to expenditure on repairs as a result of the flood which we discussed at the time of the issue due to the exceptional circumstances. This was due to the severity of the damaged caused and disruption to the academy's operations, requiring repair work to be completed immediately. All expenditure was discussed in advance with the RPA and their loss adjusters. All expenditure in excess of £5k was authorised by the trustees.</p>	

Estimates		
Significant risk	Our approach	Our conclusion
Depreciation charges	<ul style="list-style-type: none"> Review asset lives specified in the accounts and compare to our knowledge of other academies in similar circumstances Reperform the depreciation charge calculation on a global basis Review the fixed asset register to identify the types of assets which are fully depreciated and consider whether this is indicative of management bias Review the split of land from buildings and whether there are components that should have been separately identified from fixtures, fittings and equipment. Determine the impact on the depreciation charge 	<ul style="list-style-type: none"> From our review of the accounting policies and the useful economic lives of the fixed assets we identified that £420k of assets were fully depreciated as at 31 August 2023 potentially representing an over aggressive depreciation policy (see management bias point above). Our depreciation recalculation did not identify any significant errors. We did not identify any assets incorrectly classified.

Estimates		
Valuation of LGPS liability	<ul style="list-style-type: none"> Consider the ability and reputation of the pension scheme actuary and the investment administrator and review their work Perform analytical review for scheme assets and liabilities and consider key movements during the year. Review the assumptions made by management when determining the asset ceiling to use when calculating any defined benefit asset Consider the assumptions used by management when considering the impact of current court cases on the defined benefit asset / liability Consider the estimates used by the actuary (as endorsed by management) as inputs to the actuarial model Consider the adequacy of the academy's disclosures 	<ul style="list-style-type: none"> We are satisfied the ability of the actuary is suitable for the complexity of the work. We performed an analytical review of the pension scheme and identified the key movements in the year. We are satisfied the assumptions made by management are appropriate regarding the defined benefit asset and liability. We are satisfied the academy has adequately presented their disclosures in the financial statements. Upon review of the asset ceiling report provided by the actuary, we have restricted the pension asset in the accounts by £239,000 to £nil, in accordance with the assumption that a minimum funding requirement exists in the LGPS for contributions relating to future service.

3. QUALITATIVE ASPECTS OF THE ACCOUNTS

Accounting policies	Accounting estimates	Disclosures
We have reviewed management's selection of critical accounting policies and are satisfied that they are acceptable under FRS 102, the SORP and the Academies Accounts Direction 2022 to 2023.	We have evaluated management's methods and assumptions used in making significant accounting estimates and did not identify any significant misstatements or errors.	<p>We have reviewed the disclosures in the draft accounts and have no significant observations.</p> <p>Disclosure of the RPA insurance limit has been updated to unlimited cover (previously stated as £10,000,000).</p>

4. OTHER AUDIT COMMUNICATIONS

Our approach	Our conclusion
Fraud and error	<ul style="list-style-type: none">We have not been made aware of any incidents in the period and no issues have been identified during the audit.
Claims	<ul style="list-style-type: none">There is one investigation that has occurred during the year which has been discussed with management at the initial audit close down meeting. We note that the academy does not expect any claims to be brought against them.
Non-compliance with laws and regulations	<ul style="list-style-type: none">We identified the key law governing the financial statements to be the Companies Act 2006, the Charities' Statement of Recommended Practice, the Academies Accounts Direction 2022 to 2023 and the Academy Trust Handbook 2022. Key general business laws and regulations were the Companies Act 2006, the Charities Act 2011, employment, pension, health and safety and safeguarding legislation, the Academies Accounts Direction 2022 to 2023, The Academy Trust Handbook 2022 and the academy's funding agreement with the Education and Skills Funding AgencyWe are not aware of any significant incidences of non-compliance with these laws and regulations.
Related parties	<ul style="list-style-type: none">We have not identified any undisclosed related parties or related party transactions
Significant difficulties encountered during the audit	<ul style="list-style-type: none">No significant difficulties were encountered during the audit.

5. INDEPENDENCE

We have conducted our audit in accordance with the Code of Ethics of the Institute of Chartered Accountants in England and Wales ("Code") and the Ethical Standard published by the Financial Reporting Council ("Ethical Standard").

We confirm that, in our professional judgement, the firm and the engagement team, and others within the firm where appropriate, have complied with the Code and Ethical Standard.

Ethical issues the board should be aware of are set out in appendix 2.

6. INTERNAL CONTROLS

We identified the following significant weaknesses in the academy's internal control system during the audit:

Fixed assets (Priority Medium)		
Weakness	Recommendation	Responsibility / timing
Management do not maintain an internal fixed asset register however this is stated in the Financial Policy & Procurement document.	Carry out an assessment of assets held by the academy to ensure completeness over the fixed asset register, which should then be maintained and reviewed on a regular basis.	Management - 12 months
Management response		
The academy has previously implemented the 'School Audit' system to enable them to maintain the assets held by the academy, however this system only includes assets purchased since May 2018. Management are in the process of engaging an external auditor to assess the assets held by the school however this has been delayed due to the disruptions caused by the flood but will be completed in the next financial year.		
Trade debtor/creditors (Priority Medium)		
Weakness	Recommendation	Responsibility / timing
The trade debtors or trade creditor's function is not used on FMS, with all receipts and expenditure posted when they are received and paid. This represents a potential risk of cut off errors as management are relied upon to detect relevant income and expenditure which need accruing for.	Further discussion to take place with FMS to determine how to utilise these functions. Alternatively consider changing accounting software.	Management - 12 months
Management response		
Management have continued to try and utilise the trade debtor and trade creditor functions in FMS but have determined these are not viable for their operations. They are currently considering changing to a different accounting software to remedy this issue.		

HR/Payroll (Priority Low)		
Weakness	Recommendation	Responsibility / timing
Management do not hold copies of employee contracts. The school engage a third-party payroll/HR provider (OneED) to assist with all payroll services however these do not hold the employment contracts.	All contracts to be distributed to staff, signed and returned. These should then be retained on the employee's individual personnel files.	Management - 12 months
Management response		
Management have obtained all of the employee contracts and are currently in the process of reviewing these. Once reviewed the contracts will be distributed to staff for them to sign. There has been a delay in this process due to the disruption caused by the flood but remains a priority for management.		

7. MISSTATEMENTS CORRECTED DURING THE AUDIT

Park Road Sale Primary School	Income statement £
Surplus per trial balance provided for audit	75,022
Capitalisation of assets	118,074
Disposal of assets	(5,346)
Donated assets - disabled toilet from LA	16,193
Depreciation charge	(189,347)
Pension valuation adjustment – net interest costs	(1,000)
Pension valuation adjustment – actuarial gain	279,000
Pension valuation adjustment – current service costs	(148,000)
Pension valuation adjustment – employer's contributions	114,000
Pension valuation adjustment – asset ceiling restriction	(239,000)
Post meeting adjustments (see section 8):	
To adjust for teachers' pay funding not yet received for the period April to August 2023	7,240
To reverse the accrual made for the train memorial due to the capital item not being delivered pre year end, therefore no requirement to accrue the costs or recognise the capital asset	5,495
To reverse rates relief determined as not receivable by the LA (originally posted as received in the bank but never received the money)	(7,515)

Park Road Sale Primary School	Income statement £
To account for the deposit on the train memorial capital asset which was not in use at the year end.	2,198
To correctly recognise the DFC income received in June 2023 relating to the 2023/24 academic year	(9,242)
To account for 2/3 of the quarterly pupil premium funding in relation to July and August 2023, not received until post year end	6,754
Surplus per financial statements	24,526
Reclassifications	
To correct fixed assets / funds balance and correct opening balance adjustments.	5,405,579
Being difference on opening balance adjustments posted to accruals	4,899

8. UNADJUSTED MISSTATEMENTS FOUND DURING THE AUDIT

Park Road Sale Primary School	Type	Income statement £ Dr/(Cr)	Net assets statement £ Dr/(Cr)	Details	Adjusted for in the accounts as per discussions with management?
Dr Accrued income Cr Income	Factual	(7,240)	7,240	To adjust for teachers' pay funding not yet received for the period April to August 2023.	Yes
Dr Accruals Cr Repairs and maintenance	Factual	(5,495)	5,495	To reverse the accrual made for the train memorial due to the capital item not being delivered pre year end, therefore no requirement to accrue the costs or recognise the capital asset.	Yes
Dr Income Cr Bank	Factual	7,515	(7,515)	To reverse rates relief determined as not receivable by the LA (originally posted as received in the bank but never received the money)	Yes
Dr Other debtors Cr Repairs	Factual	(2,198)	2,198	To account for the deposit on the train memorial capital asset which was not in use at the year end.	Yes
Dr Income Cr Deferred income	Factual	9,242	(9,242)	To correctly recognise the DFC income received in June 2023 relating to the 2023/24 academic year	Yes
Prior period adjustment: Dr Income Cr deferred income	Prior period	9,031	(9,031)	To account for deferred DFC income in the prior period (this nets off with the above error)	No – relates to prior period but immaterial

Park Road Sale Primary School	Type	Income statement £ Dr/(Cr)	Net assets statement £ Dr/(Cr)	Details	Adjusted for in the accounts as per discussions with management?
				resulting in a total effect on the SOFA of £211)	
Reverse prior period adjustment Dr Deferred income Cr Income	Factual	9,031	(9,031)	To reverse the above in the current period	No – relates to prior period but immaterial
Dr Accrued income Cr Income	Factual	(6,754)	6,754	To account for 2/3 of the quarterly pupil premium funding in relation to July and August 2023, not received until post year end	Yes
Prior period adjustment: Dr Accrued income Cr Income	Prior period	(5,682)	5,682	To account for 2/3 of the quarterly pupil premium funding in relation to July and August 2022 which wasn't accrued for in the prior year	No – relates to prior period but immaterial
Reverse prior period adjustment: Dr Income Cr Accrued income	Factual	5,682	(5,682)	To reverse the above in the current period	No – relates to prior period but immaterial

9. AUDIT FINALISATION

Area	Response
Written representations from management	No representations have been requested from management other than those required by law or regulations.

We anticipate issuing an unmodified opinion on the financial statements.

10. REGULARITY REPORTING

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:

- An assessment of the risk of material irregularity across the academy trust's activities
- Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion

During our audit work on regularity we have looked at charge cards and the controls surrounding these, the academy's procurement processes, novel payments and other payments to staff (including gifts), related parties and internal scrutiny reports. We have not identified any significant issues on regularity.

We anticipate that we will issue an unmodified regularity assurance report for the year.

APPENDIX 1 – OUR RESPONSIBILITIES

Our respective responsibilities for the audit

As auditor we are responsible for performing the audit of the financial statements for the period under review in accordance with International Standards on Auditing (UK) (ISAs), which is directed towards 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 for the preparation of financial statements which give a true and fair view.

Our engagement letter and meeting discussions present an overview of the planned scope and timing of the audit for the benefit of those charged with governance, as required by ISA 260.

This Audit Review and Management Letter

This Audit Review and Management Letter presents the observations arising from our audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by ISA 260. Its contents have been discussed with management.

This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other

irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

Materiality

An item is considered material if its omission or misstatement could influence the economic decisions of users of the financial statements.

Materiality is an area of judgement and therefore subjective. Under ISAs, materiality must be considered quantitatively and qualitatively, not only at an overall financial statements level but also in relation to classes of transactions, individual account balances and disclosures. Our audit will be performed to materiality and assessed risk levels as explained in the table below.

Adjusted and unadjusted misstatements

During the course of the audit we have identified potential audit adjustments arising from misstatements in the financial statements, which we have discussed with you. The decision to make an adjustment to the financial statements rests solely with management.

Where the effects of accumulated uncorrected misstatements approach materiality, there may be an unacceptable risk that undetected misstatements might also exist. In such a situation, we have discussed this with you with a view to making further adjustments of the identified misstatements.

At the conclusion of the audit, we will provide you with a schedule detailing those misstatements which have not been adjusted in the financial statements, other than those which are clearly trivial (which we take to be 5% of materiality).

We will require you to confirm that you have considered these items and where you have made the decision not to adjust for them in the financial statements, ask you to confirm whether you believe their effect is immaterial,

individually and aggregate. This confirmation will be included in the letter of representation.

Read more about our responsibilities for the audit [here](#).

Our responsibilities when reporting on regularity

Our responsibility as reporting accountant is to carry out an engagement to obtain limited assurance about whether the expenditure disbursed and income received during the period 1 September 2022 to 31 August 2023 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

We conducted our engagement in accordance with the Academies Accounts Direction 2022 to 2023 issued by ESFA. The objective of a limited assurance engagement is to perform such procedures so as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

This regularity review report

Our report is made solely to the academy and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the academy and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy and ESFA, for our work, for this report, or for the conclusion we have formed.

APPENDIX 2 – INDEPENDENCE

Relationships

We can confirm that Jackson Stephen LLP, its partners and the audit team have no family, financial, employment, investment or business relationships with the academy.

Informed management

We are required by ISAs to agree with you which individuals we consider at the [academy/group] to be “informed management” for the purposes of communication of issues surrounding the audit of the [academy’s/group’s] accounts. Informed management is the management team used by the academy to consider advice and agree decisions to be taken during the course of the audit and non-audit services that may be provided to the [academy/group], particularly those relating to our independence as auditor.

We consider Donna Smalley and Clare Walmsley to be informed management.

Long time involvement with audit

Peter Atkinson has completed 10 continual years as audit partner. We have introduced appropriate safeguards to mitigate the threat to audit independence that this creates to an acceptable level.

Non-audit services

Non-audit services provided in the year are summarised below

Service	Fee £	Threats	Safeguards
Preparation of accounts	1,300	Self-interest Self-review Management	Fee is not significant compared to audit fee Accounts are reviewed by a manager independent of the audit Management decisions are not taken by the audit team
Preparation of annual return	890	Self-interest Self-review Management	Fee is not significant compared to audit fee Return is prepared by a staff member independent of the audit

			Management decisions are not taken by the audit team
Certification of TPA return	640	Self-interest Self-review	Fee is not significant compared to audit fee Return certification work is carried out by a staff member independent of the audit

Regularity reporting is an assurance related service.

APPENDIX 3 – CHANGES TO AUDIT AND ACCOUNTING REGULATIONS

ISA (UK) 240 The Auditor's Responsibilities Relating to Fraud (applied for the first time this year)

The ISA has been revised to require more comprehensive risk assessment procedures and related activities together with more robust responses to the assessed risks of fraud.

Read more about ISA (UK) 240 [here](#)

ISA (UK) 315 Identifying and Assessing the Risks of Material Misstatement (applied for the first time this year)

The ISA has been revised to include:

- introduction of inherent risk factors to aid in risk assessment
- a spectrum of inherent risk, at the higher end of which lie significant risks
- requiring sufficient appropriate evidence to be obtained from risk assessment procedures as the basis for the risk assessment
- more emphasis on general IT controls

Read more about ISA (UK) 315 [here](#)

Changes to lease accounting rules

Entities applying IFRS have already altered their approach to accounting for leases such that almost all leases are 'capitalised' by recognising a liability and right-of-use asset in the net assets statement.

IFRS slowly flows through to UK accounting practice, and so in time this same rule will apply in the UK, removing the 'off balance sheet' reporting that currently applies to operating leases.

In response to these changes, in March 2022, the ESFA announced changes around the leasing rules that were due to take effect from 1 September 2022. The ESFA has subsequently announced that these changes have been delayed until at least 1 September 2024, in response to an overall delay in the governmental adoption of the new accounting standard.

Read more about the Periodic review of accounting standards [here](#)

Ahead is the unknown.

No problem, all you need is
the right advice.

JS.

