

Lee Chapel Multi Academy Trust

Post-Audit Management Report
Year Ended 31 August 2021

Post-Audit Management Report – Lee Chapel Multi Academy Trust

We have completed the audit of Lee Chapel Multi Academy Trust for the year ended 31 August 2021 and we expect to issue an unqualified audit opinion.

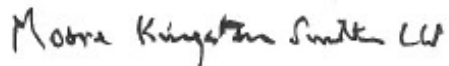
We have also completed the limited assurance regularity work for the Trust's year ended 31 August 2021 and we expect to issue an unmodified report.

This report covers the findings from our audit, the scope of which was communicated to you prior to commencing the work. It includes some recommendations for improving the accounting and internal control systems as well as highlighting some future developments that may be of interest to the board.

We hope that the recommendations are practical and are able to be implemented. We would be grateful if you could discuss the points as a board and will welcome a written response. Please extend our thanks to Ann Burrows and the finance teams at all the schools for all their help with the audit.

If you have any concerns or questions arising from this report, please contact James Cross or Steve Butler.

Yours faithfully,



Moore Kingston Smith LLP

26 November 2021

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This report has been prepared for the sole use of the board of Lee Chapel Multi Academy Trust and must not be shown to any third parties without our prior consent. No responsibility is accepted by Moore Kingston Smith LLP towards any third party acting or refraining from action as a result of this report.

Audit Approach - Risks

As outlined in our audit scoping report dated [date] our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

The following table lists any risks identified at the planning stage and during the course of the audit, our approach to mitigate the risk and our conclusions from completing this work.

Risk	Audit Approach	Results
Revenue recognition There is a risk that income has not been recognised in the correct period or correctly accounted for.	We have designed tests to ensure that the cut-off for income is correct and that we review any late adjustments to income. We will also agree income to supporting documentation on a sample basis, as well as carry out an analytical review.	From the sample selected for testing we have not identified any instances of income not being correctly recognised.
Management Override Management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We will review journals posted in the year for unauthorised or unusual adjustments.	From the testing completed, no instances of management override have been noted.

Audit approach – Risks (continued)

Risk	Audit Approach	Results
<p>Fund allocation</p> <p>Income and expenditure allocation should be accurate, and any transfer of funds should have the appropriate authority.</p>	<p>We will review the allocation of funds to confirm allocations and transfers have been made in accordance with regulation and your internal policies and procedures.</p>	<p>No material misallocations were identified from our testing conducted.</p>
<p>Capital expenditure and cut-off</p> <p>There has been significant building work undertaken during the year and there is a risk that new assets could be incorrectly valued or the amounts capitalised have been incorrectly classified.</p>	<p>We will agree capital expenditure to supporting documentation and review additions to ensure the assets are disclosed within the correct asset categories.</p>	<p>No material valuation or cut-off issues have been noted from our testing performed on fixed assets.</p>

Significant findings from the audit

We are required under International Standards on Auditing to request you to correct all misstatements identified during our audit, with the exception of those that are clearly trivial.

Corrected misstatements and reclassifications

Included on page 15 are the corrected misstatements identified during the course of our audit work which have been discussed and agreed with you.

Uncorrected immaterial misstatements and reclassifications

Included on page 16 are the uncorrected misstatements or reclassifications that are not trivial and are not material, both in isolation and in aggregate, which we identified during the audit work and which you do not propose to adjust in the financial statements.

Observations concerning the operation of the accounting and control systems

We detail in the next section other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention, which were identified during the course of our audit and limited assurance regularity work. Each of these observations has been given a risk rating around the potential impact of the issue identified and includes management responses.

Due to the nature of an audit and limited assurance assignment, we may not have identified all weaknesses within the accounting and internal control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

Management Representation Letter

A draft of our proposed management representation letter has been sent to you under separate cover. All of the matters included in this letter on which we seek the Governors' formal confirmation are in respect of routine matters, except for the following:-

- Point 14 which relates to the valuation of the pension scheme.

Regularity Conclusion

In addition to our audit opinion we are also required to perform a limited assurance engagement, reporting to both you and to the Education and Skills Funding Agency (ESFA).

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 includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure. The work undertaken is detailed in our Independent Reporting Accountant's Assurance Report on Regularity.

Areas under review

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

- Delegated authorities – consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.
- Transactions with connected parties – consideration and review of connected party transactions, ensuring they took place at no more than “cost”.
- Governance – review of budgeting procedures and consideration of instances of irregular activities.

- Internal control – review of authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- Procurement – identify policies, review their effectiveness and test their operation.
- Income – consider if specialist grants have been spent as the purposes intended.

Findings relating to regularity

We detail in Section 4 other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention, which were identified during the course of our audit and limited assurance regularity work. Each of these observations has been given a risk rating around the potential impact of the issue identified.

Points arising which relate to regularity issues have been marked with the following icon:



Operating of the accounting and internal control system

We are required to report to you in writing, significant deficiencies in the internal control environment that we have identified during the course of our audit. These matters are limited to those which we have concluded are of sufficient importance to be reported to you. Our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have categorised the internal deficiencies noted via a colour-scale rating system, the key to which is as follows:



HIGH

Issues where there is a risk of significant financial impact on the business that must be addressed immediately.



MEDIUM



Issues where there is a risk of moderate financial impact on the business, such as a control failure or the absence of a control in an area of moderate risk. These should be addressed soon.




LOW

Issues that relate to minor control deficiencies or enhancements in control efficiency. These should be addressed within an agreed timescale.

Operating of the accounting and internal control system

Current year observation	Risk	Auditor Recommendation	Management Response
Ryedene			
<p>1 Expenditure cut-off Completion of our work indicated that two pre year-end invoices, received immediately subsequent to the year-end, had not been included in the year-end prepaid balances.</p>		<p>Whilst these items are not material to the year-end accounts, to ensure that the accounts accurately reflect the position of the trust, we would recommend that a management exercise is completed at the year-end to ascertain whether any further expenses have been incurred that require being prepaid within the accounts.</p>	<p>Noted. However, due to the highly immaterial amounts of £38 and £56 the Board acknowledge that the time taken to complete the journals and change the budgets accordingly would not be a good use of time for the small impact of these items.</p>
<p>2 Capitalisation policy We noted that a new storage container was purchased during the year for £1,510. This was not capitalised inline with the capitalisation policy.</p>		<p>We recommend that all staff responsible for posting on to the accounting system are aware of the capitalisation policy and are aware of the definition of a capital addition and an expense.</p>	<p>Noted, all staff to be reminded of the capitalisation limit.</p>

Follow Up On Prior Year Recommendations

2020 observation	Risk	2020 Auditor Recommendation	2020 Management Response	2021 Auditor Follow Up
Lee Chapel				
<p>1 Insurance cover The total carried forward net book value of furniture & equipment fixed assets owned by Lee Chapel exceeds the available insurance cover by £72,038. Were any assets owned to be damaged or stolen, then they may not be covered under the current insurance policy in place.</p>		<p>We recommend that the insurance cover is increased to cover the entire net book value of the fixed assets.</p>	<p>Insurance services have been contacted regarding the value of the contents and I await updated figures.</p>	<p>Although the total carried forward net book value of furniture and equipment is insured, if net book value were to increase by £5,211 then the furniture and equipment would exceed the amount insured.</p> <p>2021 management response Noted. A request for an increase of £150k has been made to Zurich and the confirmation is awaited.</p>

Sector Updates

New Academy Trust Handbook (ATH) for 2021/22

This ATH came in force from 1 September 2021 and has been renamed from the old “Academy Financial Handbook” to more accurately highlight trusts’ existing responsibilities in a wider range of areas than finances alone.

The main changes are listed on page 9 of the ATH and some key ones to keep an eye on are as follows:

- Confirming that all trusts should have at least 2 reserved trustee places for parents. [1.11]
- From 1 March 2022 any newly appointed senior executive leader can only be a trustee if the members decide to appoint them as such, the senior executive leader agrees, and the trust’s articles permit it. [1.23]
- Expresses the Department’s strong preference that external reviews of governance are also conducted routinely as part of a wider programme of self-assessment and improvement.
- When the senior executive leader is planning to leave the trust (for example retirement or resignation), the board of trustees should approach their Regional Schools Commissioner (RSC) in advance to discuss the trust structure and options including plans for recruitment. [1.36]
- Clarifying that trusts must ensure enhanced Disclosure and Barring Service (DBS) certificates are obtained as appropriate for all staff and supply staff. [1.51]
- Clarifying that all academy trust members, trustees, committee members and local governing body members are required to have an enhanced criminal records certificate from the DBS which does not include a barred list check. [1.52]

- The board must approve a written scheme of delegation of financial powers that maintains robust internal controls, and this should be reviewed annually, or immediately when there has been a change in trust management or organizational structure. [2.4]
- Explaining that the chair of the audit and risk committee should not be the same person as the chair of the finance committee. [3.10]
- Specifying that trusts should retender their external audit contract at least every 5 years, although this does not need to be a formal process [4.5]
- Further to the existing requirements for approval of severance payments of £50k or more, trusts must obtain prior ESFA approval before making a staff severance payment where:
 - An exit package which includes a special severance payment is at, or above, £100,000 and/or
 - The employee earns over £150,000 [5.12]

If you would like to discuss any of these topics in further detail please contact James Cross or Steve Butler.

Sector Updates (continued)

Useful Factsheets from the ESFA

The ESFA have added to their list of helpful factsheets to support the academy sector in applying good practice in their financial management and assurance.

These guides aim to provide suggestions about best practice, and whilst they do not replace or modify any requirements set out in the ESFA's [Academies Financial Handbook](#) (AFH) and the [Academies Accounts Direction](#) (AAD), these guides are recommended to be circulated to your academy trust's trustees, Chief Financial Officer, finance team and Accounting Officers to prompt useful dialogue around your academy's position.

The factsheets include useful discussions on the following topics:

Streamlined Energy and Carbon Reporting (SECR)

- Information regarding new reporting requirements in this area for large companies using 40,000kWh per annum.

Operating an academy trust as a going concern

- What is meant by going concern?
- Accounting and auditing requirements
- Integrating short term and longer term financial planning and monitoring
- The importance of reserves
- Challenging financial information provided by CFOs

Choosing an external auditor for an academy trust

- Appointment, re-appointment, removal, informing ESFA
- Choosing the right auditor
- How often do you need to change auditors?

Academy trust deficit recovery

- Do we need to be concerned about in-year deficit?
- How realistic is it to turn things around in-year?
- Actions for balancing the budget

Academy trust risk management

- What is risk management?
- Steps to developing a risk management process
- Common pitfalls

Leasing guidance for academy trusts

- Making the decision to lease and the leasing process
- What type of lease is right for our school?

Academy trust management accounting

- Regulatory obligations
- Steps to take when producing management accounts
- Format of monthly management accounts

Internal scrutiny in academy trusts

- Internal scrutiny options
- Reporting the findings

If you would like to discuss any of these topics in further detail please contact [Partner Name].

Factsheets can be found on <https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides>

Sector Updates (continued)

Multi Academy Trusts (MAT) Inspection

The Multi-Academy Trusts (Ofsted Inspection) Bill, amending section 5 of the Education Act 2005, has been listed for a second reading on 28 January 2022.

The inspection of MATs remains a key area of concern for Ofsted. The framework around how MATs specifically will be inspected and what resources Ofsted will be able to use for inspections of MATs will remain to be determined.

Ofsted are only currently able to undertake summary evaluations of a MAT's work through a batch of inspections of schools in the same trust. Proposals are for increased oversight and inspection of MAT use of resources, quality of education, governance and efficiency.

Rates Relief

Following government consultation, from 1 April 2022, the ESFA will pay business rates directly to billing authorities on behalf of schools for 5 to 16 year olds.

From 1 April 2022, academies will not be able to submit rates claims via the NNDR portal to recoup their rates, and this academy upload function will be removed. Instead, all billing amounts will be uploaded by billing authorities. Academies will not need to make payments to billing authorities in respect of their 2022 to 2023 rates bill.

Academies will remain accountable for making payments to billing authorities for any outstanding rates bills in relation to 2021 to 2022 or earlier years. Academies have until the end of March 2022 to submit any outstanding historic claims relating to the 2015 to 2016 financial year to 2021 to 2022.

Pupil Premium Spending

From academic year 2021 to 2022, schools must demonstrate how their spending decisions are informed by research evidence, making reference to a range of sources including the Education Endowment Foundation's (EEF) toolkit.

To comply with School Information regulations, maintained schools are required to publish an updated pupil premium strategy annually. All schools must use the templates available on GOV.UK to publish their 2021 to 2022 pupil premium strategy, by the end of December 2021. The Department for Education will undertake monitoring checks on a sample of schools' published reports.

Given their role in ensuring schools spend funding appropriately and in holding schools to account for educational performance, governors and trustees should scrutinise schools' plans for and use of their pupil premium funding.

Sector Updates (continued)

Useful links

There are a number of other links which the Governors and senior leadership might find useful and some of these are listed below:

Academies Planning Calendar for 2021-2022

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1023911/Academies_Planning_Calendar_2021_to_2022.pdf

Guide to reducing fraud

<https://www.gov.uk/guidance/academies-guide-to-reducing-any-risk-of-financial-irregularities>

Information, tools, training and guidance to help schools and multi-academy trusts with financial planning and resource management

<https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>

Key questions to help schools manage their resources and money efficiently.

<https://www.gov.uk/guidance/schools-financial-efficiency-top-10-planning-checks-for-governors>

ESFA and the Institute of Schools Business Leadership (ISBL) library of policy documents, templates and other resources.

<https://isbl.org.uk/GoodPracticeLibrary.aspx>

ESFA weekly updates

<https://www.gov.uk/government/collections/esfa-update>

FD Forum

www.thefdforum.co.uk

ICAEW volunteers

www.icaewvolunteers.com

Corrected material misstatements and reclassifications

Description	Balance sheet		SoFA		Effect on Net Surplus
	Dr	Cr	Dr	Cr	(Dr)/Cr
<u>MAT</u>					
Pension cost			1,198,000		(1,198,000)
Actuarial loss on defined benefit pension scheme			792,000		(792,000)
Defined benefit pension scheme liability		(1,990,000)			
<i>Being the movement on the defined benefit pension scheme</i>					

Uncorrected immaterial misstatements and reclassifications

Description	Balance sheet		SoFA		Effect on Net Surplus
	Dr	Cr	Dr	Cr	(Dr)/Cr
<u>Ryedene</u>					
Support costs				56	
Operating leases				38	
Prepayments	94				
<i>Being the errors found as part of our purchase cut-off testing.</i>					94
Fixture and fittings additions	1,510				
Building repairs and maintenance				1,510	
<i>Being the capitalisation of a storage container expensed.</i>					1,510
Total effect on Net surplus as a result of uncorrected misstatements					1,707

Other matters

Engagement & Independence

Our engagement objective was the audit of Lee Chapel Multi Academy Trust, and a limited assurance report as Reporting Accountants in accordance with the regularity requirements of the ESFA.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council's (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our audit scoping report.

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as [described in our audit scoping report.

Qualitative aspects of accounting practices, accounting policies and financial reporting

Based on our audit work performed, we believe that the Strategic Report, Trustees' Report and financial statements for the period under review comply with United Kingdom Accounting Standards and the Companies Act 2006, Charities SORP and Academies Accounts Direction 2020.

During the course of our audit of the financial statements for the period under review, we did not identify any inappropriate accounting policies or practices.

Matters specifically required by other Auditing Standards to be communicated to those charged with governance

Other than as already explained in our Engagement Letter, Audit Scoping Report and this Post-Audit Management Report, there are no other specific matters to communicate as a result of our audit of the financial statements under review.

CONTACT US

City

Devonshire House
60 Goswell Road
London
EC1M 7AD
t: 020 7566 4000

Heathrow

The Shipping Building
The Old Vinyl Factory
Blyth Road, Hayes
Middlesex UB3 1HA
t: 020 8848 5500

St Albans

4 Victoria Square
St Albans
Hertfordshire
AL1 3TF
t: 01727 896000

Romford

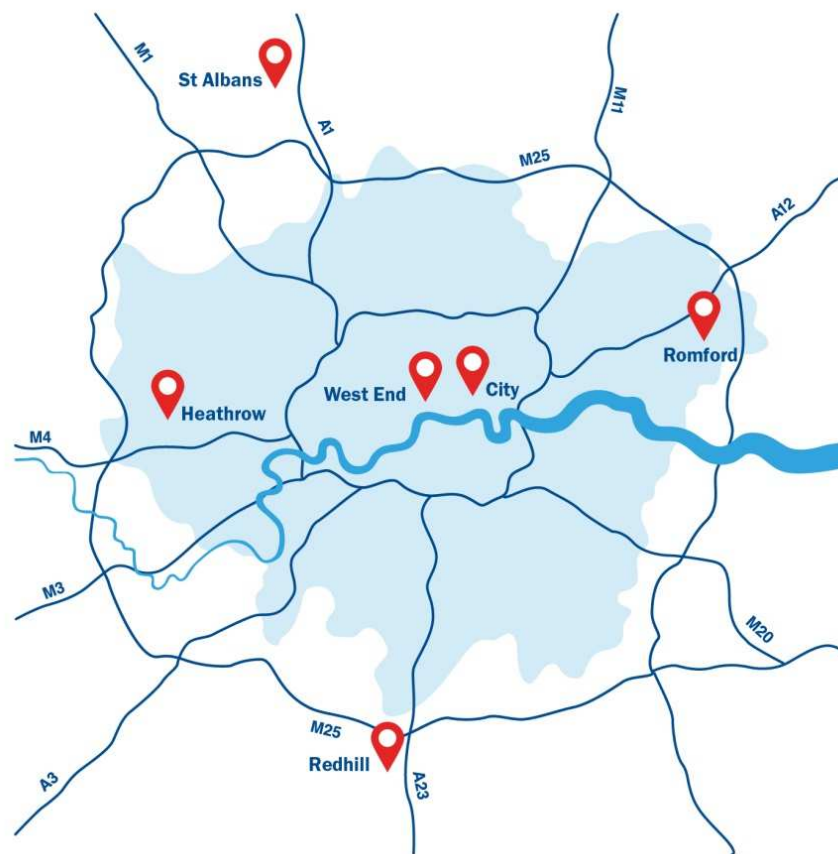
Orbital House
20 Eastern Road
Romford, Essex
RM1 3PJ
t: 01708 759759

Redhill

Betchworth House
57-65 Station Road
Redhill, Surrey
RH1 1DL
t: 01737 779000

West End

Charlotte Building
17 Gresse Street
London
W1T 1QL
t: 020 7304 4646



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