



Audit findings report

Tyne and Wear Learning Trust

Year ended 31 August 2024



Strictly Private & Confidential

The Board of Trustees
Tyne and Wear Learning Trust
Whitefield Estate
Houghton Le Spring
Tyne and Wear
DH4 7RT

Our ref: GF/BAR0512NER
27 November 2024

Dear Trustees

**Tyne and Wear Learning Trust
Audit findings for the year ended 31 August 2024**

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs UK), which is directed towards forming and expressing an opinion on the financial statements. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, including those in respect of the preparation of financial statements.

There is more detail in respect of the responsibilities of the auditor and those charged with governance within our engagement letter. Our standard terms and conditions can be found at <https://www.azets.co.uk/terms-of-business>.

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 primarily for the purpose of expressing our opinion on the financial statements. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Graham Fitzgerald.

Yours faithfully

Graham Fitzgerald
Senior Statutory Auditor

Azets Audit Services

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

Azets Audit Services is a trading name of Azets Audit Services Limited. Registered in England & Wales. Registered No. 09652677.
VAT Registration No. 219 0608 22. Registered office: 2nd Floor, Regis House, 45 King William St, London EC4R 9AN. Registered to carry on audit work in the UK under Firm Number C004632199 and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales. The term 'Board Director' is used to refer to a statutory director and principal of the company as registered at Companies House. Any other designations that include the term 'Partner' or 'Director' are not registered statutory directors or principals of the registered company.



Contents

1.	Executive summary	1
2.	Financial statements	3
3.	Significant audit findings	5
4.	Going concern	9
5.	Audit communication	10
6.	Unadjusted misstatements	11
7.	Internal controls	12
8.	Independence and ethics	13
Appendix 1	Emerging issues	14
Appendix 2	Related party checklist	20
Appendix 3	Schedule of musts	24

1. Executive summary

Significant matters relevant to our audit

This table summarises the significant matters arising from the statutory audit of Tyne and Wear Learning Trust for the year ended 31 August 2024 for those charged with governance.

Audit opinion	<p>Our audit report is unqualified, however we have included an “emphasis of matter” paragraph in respect of the LGPS valuation, which has produced a surplus in the current year, with a cap on the recognition of the asset calculated by the actuaries. This cap is zero. There is a degree of subjectivity and judgement around the recognition of defined benefit pension scheme assets, and our opinion is that it is appropriate to highlight this and the related disclosures in the audit report.</p> <p>We have no matters to report regarding the adoption of the going concern basis or inadequate disclosures relating to material uncertainties.</p> <p>Our audit work is substantially complete and there are currently no matters which would require modification of our audit report.</p>
Regularity opinion	<p>We do not propose any modifications to our regularity opinion which is unmodified.</p>
Audit approach	<p>There were no changes to our audit approach as set out to you in our letter dated 15 July 2024.</p>
Significant audit findings	<p>We have reported our significant audit findings on pages 5-8 and audit adjustments on page 3. The impact on the trust’s reserves is £74k excluding the LGPS adjustments.</p> <p>We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.</p>
Audit adjustments	<p>We are required to communicate all potential adjustments, other than those considered to be clearly trivial, to management and to request that management corrects them.</p> <p>Audit adjustments proposed can be seen in the reconciliation to accounts below.</p> <p>Presentational and reclassification adjustments were proposed and accepted by management.</p> <p>There were no unadjusted misstatements above our clearly trivial level.</p>

Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls 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. No material weaknesses or significant deficiencies were noted.

Materiality

The basis for our materiality calculations and associated definitions were set out in our audit planning letter issued prior to the start of the audit. Our calculated materiality assessments for the year ended 31 August 2024 were ultimately calculated as follows:

Overall materiality for the financial statements: £40,000

Performance materiality: £28,000

Trivial threshold: £2,000

2. Financial statements

This section of our report summarises the main features of the financial statements including adjustments made to the trial balance and an explanation of the key elements of the accounts.

Reconciliation to accounts

The reconciliation of the trial balance presented to the audited statutory financial statements is as follows.

	£'000
Surplus/(deficit) per management accounts / TB	(64)
<i>Adjustments notified to us by the academy trust</i>	
FRS102 LGPS valuation	22
Audit adjustments	
Reverse deferral of conversion grants shown as funds	74
Surplus/(deficit) per statutory financial statements	32

Points of note

- The £74k of conversion funds are earmarked to support the conversions taking place after the year end, however under accounting rules they must be shown in reserves at the year end rather than in the following period

Statement of Financial Activities – SOFA

Reconciliation to underlying in year financial position:

	£'000
Reported surplus/deficit per SOFA (page 30)	32
Less: capital grants (page 30/39)	(7)
Add: depreciation charge (page 30/44)	114
Less: LGPS adjustments shown within expenditure (page 47)	(22)
Underlying surplus/deficit in year	117
Less: capital expenditure from reserves and revenue income	(1)
Total movement in general and unrestricted reserves	116

Commentary on key elements of SOFA:

- The £74k of conversion funds should be taken into account when assessing the net surplus in the year of £116k. The net surplus for Barnwell Academy for the year excluding this is £42k

Balance Sheet and Reserves

Reconciliation to underlying in year financial position:

	2024	2023	Change
Restricted GAG	413	393	20
Restricted other	74	-	74
Unrestricted	263	241	22
Net movement as above	750	634	116
Capital reserves	(2)	(4)	2
Total reserves	748	630	118

Commentary on key elements of Balance Sheet and Reserves:

- Negative capital reserves are the loan balances that will ultimately be repaid from ESFA funding

Other key notes and disclosures

Note 9/10 – Staff costs

- Staff costs disclosures include staff trustees' remuneration – 1 listed on page 43.
- Salary costs for key management personnel have been aggregated, so no disclosure is made of individual KMP salaries. This includes gross, employer's pension contributions and employers NI. See page 43.

Note 18 – fund balances

- Confirmation of restricted fund balances carried forward.
- Restricted funds:
 - GAG - £413k
 - Conversion grants - £74k

Note 24 – Related Party Transactions

- We have not been made aware of any related party transactions in the period.
- Trustees are reminded that any transactions between themselves or entities controlled by themselves and the Academy Trust are required to be disclosed in the accounts under this note. This disclosure also includes transactions with members, key management and anyone with influence over contracts.

3. Significant audit findings

This section of our report includes a summary of significant audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the course of the audit.

Significant risk areas identified at planning

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- our risk assessment procedures identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The below table summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Key risk area	Audit Approach	Conclusions
<p>Management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Risk of material misstatement: Medium</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management; • Testing of journal entries; • Review of any unusual significant transactions; • Data analytics procedures 	<p>Our testing did not indicate any evidence of management override of controls.</p>

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The below table summarises conclusions in relation to significant risks of material misstatement assertion level for classes of transaction, account balances and disclosures.

Key risk area	Audit Approach	Conclusions
<p>Fraud in revenue recognition</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p>The majority of income is in the form of grants provided by the ESFA and Local Authority.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Grant income (Classification and presentation): Medium Grant income (Completeness, accuracy and Cut off): Medium Other income (Completeness, cut off and accuracy): Medium 	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Review and testing of income recognition policies; Detailed substantive testing on material revenue streams, including ESFA and Local Authority Funding Data analytics procedures Substantive analytical procedures 	<p>We are satisfied that income is free of material errors and is appropriately disclosed in the financial statements.</p>
<p>LGPS asset / liability and disclosures</p> <p>There is a risk that the liability and disclosures in respect of the local government pension scheme liability may be materially misstated.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> LGPS accounting (Rights and obligations): Medium LGPS accounting (Accuracy): Medium LGPS accounting and disclosures (Presentation): Medium 	<ul style="list-style-type: none"> Review of basis of accounting treatment (and surplus recognition criteria, as relevant) Review of assumptions made and comparison with other academy trusts Assessing the reasonableness of source data used (including confirmation with pension fund auditor and analytical procedures, as required) Evaluating whether significant events that impact on liabilities have been included Review of adjustments and comparison with the actuary's report 	<p>We have reviewed the assumptions and other available information. The academy trust reported a surplus position and the actuaries have provided calculations to determine the extent to which the surplus should be recognised. This has been capped at zero and the accounts reflect this. This information is included in the financial statements and the audit report amended as noted above.</p>

	<ul style="list-style-type: none"> • Review of disclosures and comparison with the actuary's report • Review of the credentials of the actuary preparing the valuation 	
<p>Valuation and recognition of land and buildings</p> <p>There is a risk that land and buildings may be inappropriately valued in the balance sheet</p> <p>There is a risk that land and buildings may not be accounted for in accordance with the Academies Accounts Direction</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Recognition of asset (Rights and obligations): Low • Recognition of asset (Classification): Low • Recognition of asset (Presentation): Low • Valuation of asset (Accuracy): Low 	<ul style="list-style-type: none"> • Review of leases and supplemental agreements to confirm basis for occupation • Review of valuation reports • Review of potential impairment of assets • Discussions with management 	<p>We have reviewed the initial recognition and trust land and buildings, updated valuations and other information available and concluded that the initial recognition valuation remains appropriate.</p>
<p>Restricted and unrestricted funds</p> <p>There is a risk that restricted grants could be spent on expenditure other than in accordance with the terms of the funding, or that expenditure may be inappropriately allocated to the incorrect fund</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Fund accounting (Accuracy): Medium • Fund accounting (Presentation): Low 	<ul style="list-style-type: none"> • Review grant income to understand the restrictions in place • Review a sample of expenditure to ensure in accordance with the restrictions, and appropriately accounted for against the correct fund • Review funds carried forward for reasonableness and to ensure in accordance with the terms of the grant 	<p>From our review we are satisfied that funds have been appropriately accounted for and disclosed in the financial statements.</p>

- Fund accounting
(Classification): **Low**

Other identified risks

The below table summarises conclusions in relation to other identified risks which although not considered to be significant required specific consideration during the audit or were risks otherwise identified during the course of the audit.

Identified risk of material misstatement	Audit approach	Conclusion
<p>Related parties Under ISA (UK) 550, there is a presumed risk that related party transactions may be inaccurate or misstated within the financial statements</p>	<ul style="list-style-type: none"> • Review of completeness of declared related parties • Review of accounting records for potential additional transactions • Review of compliance with ATH requirements & other regulations 	<p>We did not identify any undisclosed related party transactions.</p>

4. Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Management's assessment of going concern

The academy trust has prepared its financial statements on the going concern basis.

Management believe that the financial statements should be prepared on the going concern basis having reviewed the financial position of the trust at the year end, management accounts since the year end and the budgets that were agreed and approved by trustees.

Management's assessment covers a period of at least 12 months from expected date of approval of the accounts

Audit work performed

ISA 570 (revised) specifies mandatory procedures that we are required to carry out on going concern.

We have considered the level of reserves at the year end and reviewed the budgets, including a consideration of the appropriateness of the assumptions applied in arriving at those forecasts.

Disclosures

We have reviewed the disclosures and accounting policies set out in note 1 of the financial statements, which we believe is appropriate in these circumstances.

Conclusion

We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

5. Audit communication

Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the prior year. These have been deemed appropriate for the audited period.

Presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the entity.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose. In the event that the directors wish to obtain enhanced assurance with regard to the effectiveness of internal control in preventing and detecting fraud we should be happy to provide additional services.

Written representations

We will present the final letter of representation to the Board to sign at the same time as the financial statements are approved.

Confirmations from third parties

All requested third party confirmations in respect of bank confirmations have been received.

6. Unadjusted misstatements

Unadjusted audit differences

We did not identify any unadjusted audit differences above our trivial threshold.

7. Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls 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.

We have not identified any issues and do not make any recommendations following our audit.

Follow up on prior year control recommendations

We did not identify any issues or make any recommendations in the prior period.

8. Independence and ethics

In accordance with our profession’s ethical requirements and further to our audit planning letter issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity, and independence.

The Partner has held the position of RI for a continuous period of over ten years. To mitigate the threat to auditor independence as a result of long association, we have involved an additional audit partner to review the work done by the partner and the other senior members of the engagement team and to advise as necessary / arranged an engagement quality control review of the engagement.

We confirm that Azets Audit Services and the engagement team complied with the FRC’s Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Audit and non-audit services

The following services were provided in the year to 31 August 2023 and 2024.

Audit services	Fees 2024 £	Fees 2023 £
Audit of academy trust	10,000	8,500
Total audit services	10,000	8,500

Non-audit service	Fees 2024	Fees 2023	Type of threat	Safeguard
Preparation of financial statements	£1,650	£1,550	Self-review	Directors / Board to sign and approve all adjustments made to the financial statements. Preparation of statutory financials statements performed and reviewed by a separate team.
Preparation of AAR	£950	£850	Self-review	The AAR is fully reviewed by the audit partner and is reviewed in full by a senior member of your team on behalf of the academy trust
Teachers pensions EOYC	£950	£850	None	N/A
Corporation tax return	£-	£450	Management, self review	The corporation tax work is compiled by an Azets team member not involved in the audit process

Appendix 1: Emerging issues – for information only

1. Digital and technology standards
2. Financial planning
3. Electric Vehicle (EV) Salary Sacrifice Schemes
4. Internal scrutiny
5. Leasing
6. Notice to Improve - update
7. ESFA good practice guides
8. VAT

1 Digital and technology standards

Trusts should refer to the DfE's digital and technology standards, which were developed to support trusts in making more informed decisions about technology.

Cyber incidents and attacks have significant operational and financial impacts on schools and colleges. These incidents or attacks will often be an intentional and unauthorised attempt to access, change or damage data and digital technology. They could be made by a person, group, or organisation outside or inside the school or college and can lead to:

- safeguarding issues due to sensitive personal data being compromised
- impact on student outcomes
- a significant data breach
- significant and lasting disruption, including the risk of repeated future cyber incidents and attacks, including school or college closure
- financial loss
- reputational damage

The DfE's standards on filtering and monitoring will help schools and colleges to reduce risks related to a cyber incident by preventing access to potentially malicious sites or resources.

Throughout these standards they refer to:

- hardware, software and digital services that are connected to the internet or network as digital technology
- in-house or third-party support as IT support

Visit the DfE's standards page for more details on how to use the standards to help your school or college meet their digital technology needs. [Meeting digital and technology standards in schools and colleges - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/meeting-digital-and-technology-standards-in-schools-and-colleges)

Cybercrime

Academy trusts **must** also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred. Trusts should take appropriate action to meet DfE's cyber security standards, which were developed to help them improve their resilience against cyber-attacks.

2 Financial planning

The board of trustees **must**:

- ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable
- take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA
- set a policy for holding reserves, and explain it in its annual report, **including a clear plan for managing reserves.**

3 Electric Vehicle (EV) Salary Sacrifice Schemes

Academy trusts **must** approach ESFA to seek approval for the following transactions:

- entering into a new electric vehicle salary sacrifice scheme
- accepting any further employees onto an existing electric vehicle salary sacrifice scheme.

You **must** contact ESFA early in the planning stage, both in relation to new schemes and accepting further employees onto existing schemes.

4 Internal scrutiny

All trusts **must** deliver internal scrutiny in the way most appropriate to its circumstances. Options include any combination of:

- an in-house internal auditor
- a bought-in internal audit service
- the appointment of a non-employed trustee
- an independent peer review by the chief financial officer from another academy trust.

Trusts with an annual revenue income over £50 million should (and from 1 September 2025 **must**) deliver internal scrutiny using any combination of the following:

- an in-house internal auditor
- a bought-in internal audit service

All trusts, regardless of income levels, may also use other individuals or organisations where specialist non-financial knowledge is required.

To ensure those carrying out the programme of internal scrutiny work are suitably qualified and/or experienced:

- auditors should be members of a relevant professional body
- trustees and peer reviewers performing the work should have appropriate qualifications and/or experience relevant to the area being reviewed.

Trusts should work towards this position where it is not already the case.

The trust must keep its approach to internal scrutiny under review. If it changes in size, complexity or risk profile, it should consider whether its approach remains suitable.

5 Leasing

Under UK financial reporting standards applicable to academy trusts, there are 2 types of lease:

- finance leases: these are a form of borrowing
- operating leases: these are not borrowing.

Trusts **must** obtain ESFA's prior approval for the following leasing transactions:

- taking up a finance lease on any asset not on the DfE approved list for any duration from another party, which are subject to the borrowing restrictions described below
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of 7 or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

Other than the these, trusts do not require ESFA's approval for operating leases.

Trusts **must** ensure any lease maintains the principles of value for money, regularity and propriety. Trusts should seek advice from their professional adviser or external auditor if they are in doubt over whether a lease involves borrowing.

Borrowing

Academy trusts must obtain ESFA's prior approval for borrowing (including overdraft facilities, but excluding finance leases on the DfE approved list) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, regardless of the interest rate chargeable. Credit cards must only be used for business expenditure, and balances cleared before interest accrues.

Permission for borrowing is only allowed in exceptional circumstances, such as schemes introduced by the Secretary of State for Education - for example the department's Condition Improvement Fund.

6 Notice to Improve - update

Where DfE or ESFA has concerns about financial management or governance in an academy trust, the department may issue, and publish, a Notice to Improve (Ntl).

Examples of when a Ntl may be issued on financial management grounds include:

- an actual or projected deficit
- cash flow problems
- insolvency risk
- irregular use of public funds
- poor internal scrutiny
- breaches of related party requirements

Examples of when a Ntl may be issued on governance grounds include:

- the trust board not being properly constituted
- trustees failing to comply with their safeguarding duties
- trustees lacking the skills, knowledge and experience to exercise effective oversight of the trust's operations and performance, including educational performance
- ***trustees and the executive failing to manage their school estate and maintain it in a safe working condition strategically and effectively.***

A Ntl describes what a trust must do to address concerns about financial management or governance. The trust must comply with the Ntl. Failure to comply will be deemed a funding agreement breach. The funding agreement may be terminated due to non-compliance with a Ntl.

If a Ntl is issued, the delegated authorities may be revoked, and all transactions of this nature must be approved in advance by ESFA, specifically:

- special staff severance payments
- compensation payments
- writing off debts and losses
- entering into guarantees, indemnities or letters of comfort
- disposals of fixed assets beyond any limit in the funding agreement
- taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement
- carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement
- pooling of GAG

The trust may also be prevented from entering into transactions with related parties without approval. These delegated authorities shall be returned once the Ntl has been complied with, and improvement is sustainable.

The department will notify the trust of the date on which the department has published the Ntl. The trust must then publish the Ntl on its own website within 14 days and retain it on the website until the Ntl is lifted by the department

7 ESFA good practice guidance

The ESFA have issued a number of good practice guides. They do not replace or modify any requirements set out in the Academy Trust Handbook and the Academies Accounts Direction. They aim to provide suggestions about good practice.

Currently the following is available as a good practice guide:

- Streamlined Energy and Carbon reporting
- Operating an academy trust as a going concern
- Choosing an external auditor for an academy trust
- External audit procurement key information
- Academy trust reserves
- Academy trust deficit recovery
- Academy trust risk management
- Leasing guidance for academy trusts
- Academy trust management accounting
- Internal scrutiny in academy trusts
- Academy trust management letters
- External audit preparation checklist for academy trust guidance
- External audit preparation checklist
- Tendering 'jargon busting' guide for academy trusts
- Local Government Pension Scheme

8 VAT – audit review

The academy is currently not VAT registered and reclaiming VAT via the Form 126.

Our audit does not examine VAT in detail and our audit procedures are not designed to detect immaterial fraud or error. Therefore, we have not reviewed individual streams of income to:

- a. Assess whether the academy is over the VAT registration threshold
- b. Ascertain whether the VAT reclaimed is correct

There are a number of income streams that may be liable to VAT, we have provided some common areas below, but please note this is not an exhaustive list:

1. Contracts whereby you receive commission or the net of income/costs for items such as uniform. The contract may be worded in such a way that you are actually the primary supplier and not an agent, if this is the case then you may be liable to register and charge VAT on these items.
2. The sale of meals to staff is a supply liable to VAT. The VAT treatment of outsourced catering contracts means that an Academy will act as principle in the sale of all meals. The sale of a meal to a member of staff (not a duty meal) will count towards the VAT registration limit
3. Certain supplies under salary sacrifice schemes can have a VAT implication either as the amounts count towards the VAT registration limit or VAT on expenses could be restricted.
4. Although the majority of income from letting the premises will be exempt depending on the exact nature of the “let” and to whom the let could be “taxable”. If additional services are supplied as a separate cost, they would be seen as taxable. Any charges for parking would be taxable.

From experience most Academies have some business income and if not VAT registered we would expect there to be some irrecoverable VAT. Is the Academy carrying out the appropriate restrictions and checks on the VAT claimed via the VAT 126 form?

If required Azets can organise an initial meeting with our VAT experts to discuss any potential issues or pitfalls with you.

Appendix 2: Related party checklist

The ESFA have issued a checklist of consideration in relation to related Parties

Checklist: things to consider when transacting with a related party

This checklist will help academy trusts consider if transactions with a related party:

- are justifiable
- are conducted fairly and transparently
- can withstand scrutiny

Using this checklist is optional.

If you are unsure if a transaction is with a related party, you should seek expert advice.

Using the checklist

To use the checklist, you should answer 'yes' or 'no' to each question.

There is space at the end of each section to make notes.

On completion of the checklist, you should review your responses to ensure they are correct, and to determine if you need to take any further action.

Purpose of the transaction

Question	Answer
Is the transaction necessary?	Yes or No
Is the transaction in the best interests of the academy trust and is there documented evidence to support this?	Yes or No
Could the transaction: <ul style="list-style-type: none"> • compromise the integrity of the academy trust? • cause reputational damage? • cause unnecessary risk or challenge? 	Yes or No
Could the transaction be considered novel, contentious, or repercussive?	Yes or No

Comments

Add comments here to support your answers.

Decision making and transparency

Question	Answer
Was a party with a conflict of interest involved in the decision-making process?	Yes or No
Has the conflict of interest and actions taken to mitigate it been recorded in the board or committee meeting minutes?	Yes or No
Is the conflict of interest documented in the academy trust's register of interests?	Yes or No
Is the register of business and financial interests for members, trustees, local governors, and accounting officers published on the academy trust's website?	Yes or No
Have alternative suppliers or options been considered?	Yes or No
Have all decisions regarding the transaction been documented appropriately?	Yes or No

Comments

Add comments here to support your answers.

Procurement: value for money

Question	Answer
Was a party with a conflict of interest involved in the decision-making process?	Yes or No
Have similar goods or services been compared (for example, by benchmarking or obtaining quotes from other suppliers) and are the costs proportionate?	Yes or No
Has a value for money assessment been conducted?	Yes or No
Does the academy trust have a competitive procurement policy in place? Is it incorporated into the academy trust's financial framework or procurement policy?	Yes or No

Comments

Add comments here to support your answers.

Procurement: 'at cost'

This section applies to transactions with a person or organisation set out in the 'at cost' requirements in the [Academy trust handbook](#).

Question	Answer
Is the transaction provided 'at cost' save for the £2,500 de minimis?	Yes or No
Have the goods or services been procured through open and fair process? If so, what process was used?	Yes or No
Are the goods or services supported by a statement of assurance ?	Yes or No
Are the goods or services on the basis of an open book agreement?	Yes or No

Comments

Add comments here to support your answers.

Alignment with your academy trust's own policies and its scheme of delegation

Question	Answer
Have you followed your academy trust's procurement, recruitment, or other relevant policies?	Yes or No
Have you followed your academy trust's scheme of delegation?	Yes or No

Comments

Add comments here to support your answers.

Adherence to statutory and regulatory requirements

Question	Answer
Is the transaction above public contract thresholds? If so, has the contract been advertised on the Find a Tender service ?	Yes or No
Could the transaction be considered a subsidy?	Yes or No
Has the transaction been reported to ESFA in advance of the contract or agreement commencing? (This does not apply to salaries and other payments made to individuals under a contract of employment through the academy trust's payroll).	Yes or No

Question	Answer
<p>Has ESFA approval been sought if the transaction exceeds £40,000 or where it is novel, contentious or repercussive?</p> <p>(This does not apply to transactions with some schools as set out in the Academy trust handbook or with the religious authority of an academy trust that is providing services relating to the academy trust’s religious character and ethos).</p>	<p>Yes or No</p>

Comments

Add comments here to support your answers.

Off payroll

Question	Answer
<p>Is there transparency regarding the appointment of an off-payroll Accounting Officer (AO) or Chief Financial Officer (CFO) from a related party?</p>	<p>Yes or No</p>

Comments

Add comments here to support your answers.

Donations

Question	Answer
<p>Has the academy trust previously received a donation from the related party? If so, were any conditions attached?</p>	<p>Yes or No</p>

Comments

Add comments here to support your answers.

Appendix 3: Schedule of musts

MUSTS as set out in the Academies Trust Handbook 2024

The requirements in the handbook brought together into one list: the ‘musts’. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. Links to the relevant sections are included, which must be read in full. Also provides a column to confirm if you are compliant and a column for any comments.

Schedule of Musts 2024			
These are the requirements in the Academy Trust Handbook brought together into one list: the ‘musts’. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. References to the relevant sections are included, which must be read in full. This tool is an entirely optional resource, and there is no requirement to submit it to ESFA.			
Paragraph	Requirement	In Place: - Fully compliant - Working towards - Not in place	Comments Action to take
Top 10 ‘musts’ for chairs and other trustees			
1.11 and 1.12	Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with duties as company trustees, with charity law and the funding agreement.		
2.3	Ensure the board of trustees meets at least three times a year.		
2.4	Approve a written scheme of delegation of financial powers.		

2.10	Ensure the board approves a balanced budget for the financial year and minutes their approval		
2.19 and 2.20	Share management accounts with the chair of trustees monthly and consider when the board meets, taking action to maintain financial viability		
2.27 and 2.28	Ensure decisions about executive pay follow a robust evidence-based process reflecting the individual's role and responsibilities, and that the approach to pay is transparent, proportionate and justifiable.		
3.6 to 3.13	Appoint an audit and risk committee (either dedicated or combined with another committee) to advise on the adequacy of the trust's controls and risks.		
4.4	Submit audited accounts to ESFA by 31 December		
4.14	Ensure an appropriate, reasonable and timely response to findings by auditors, taking opportunities to strengthen financial management and control		
5.39 - 5.59	Manage conflicts of interest, be even-handed with related parties, and ensure goods or services provided by them are at no more than cost, beyond the limits in this handbook		
Roles and responsibilities			
	Adhere to The 7 principles of public life		
1.1	Have the skills, knowledge and experience to run the trust		
1.3	Have at least three members but should have five or more		

1.4	Have suitability checks in place for members to ensure they are not subject to a direction under section 128 of the Education and Skills Act 2008		
1.5	Not have members as employees, nor have members occupy staff roles on an unpaid voluntary basis		
1.20, 1.37 and 2.7	Ensure regularity, propriety and value for money		
1.20	Trustees to take ownership of financial sustainability and ability to operate as a going concern		
1.23	Ensure committees contain a majority of trustees		
1.24	Not have de facto trustees or shadow trustees		
1.26	Include a review of the trust's governance structure and board composition in the governance statement when producing audited accounts for the first time		
1.27	Appoint a senior executive leader (should be principal or chief executive)		
1.28 to 1.37	Appoint an accounting officer (the senior executive leader) with responsibility for regularity, propriety and value for money and for assuring the board about compliance with the funding agreement and handbook		
1.34	Demonstrate in the governance statement how the trust has secured value for money		
1.34 and 4.12	Include a statement on regularity, propriety and compliance, signed by the accounting officer, in the audited accounts		

1.38	Appoint a chief financial officer to lead the finance department		
1.39	Have appropriately qualified and/or experienced finance staff		
1.41	Appoint a governance professional (clerk to the board)		
1.42	Be transparent with governance arrangements		
1.43 and 1.44	Publish the trust's governance arrangements in its governance statement and in a readily accessible form on its website		
1.45	Ensure governance documents are available for public inspection		
1.47	Arrange DBS checks as appropriate		
Main financial requirements			
2.1	Maintain robust oversight of the trust		
2.2	Take responsibility for financial affairs, stewardship of assets and use resources efficiently		
2.6	Have sound internal control, risk management and assurance processes		

2.7 and 2.25	<p>Establish a control framework that includes:</p> <ul style="list-style-type: none"> ensuring delegated financial authorities are complied with, and segregation of duties maintained co-ordinating the planning and budgeting process discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations planning and oversight of capital projects including those relating to estates safety management and oversight of assets including maintenance of a fixed asset register regularity, propriety and value for money reducing fraud and theft independent checking of controls, systems, transactions and risks a competitive procurement procedure 		
2.8 and 2.9	<p>Prepare and monitor financial plans to ensure the trust remains a going concern and ensure rigour and scrutiny in budget management</p>		
2.11	<p>Ensure budget forecasts are accurate, based on realistic assumptions and reflective of lessons learned from previous years</p>		
2.15 and 2.16	<p>Submit a budget forecast return to ESFA</p>		

2.17	Notify ESFA within 14 days if proposing a deficit revenue budget for the current financial year which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook		
2.18	Prepare management accounts every month.		
2.21	Manage cash position robustly and avoid becoming overdrawn		
2.22	Have a cautious approach to investments in line with the handbook principles		
2.24	Show that public funds have been used as intended by Parliament		
2.29	Publish on trust's website the number of employees whose benefits exceeded £100k, in £10k bandings		
2.30	Ensure senior employees' payroll arrangements meet HM Treasury's tax requirements		
2.31	Obtain ESFA prior approval for EV schemes unless no liability falls on the trust if an employee does not fulfil their contractual obligations with the scheme provider		
2.32	Not use trust's funds to purchase alcohol for consumption, except where it is to be used in religious services		
2.34	Charge for boarding provision in line with this handbook		
2.35 and 2.36	Manage risks, including contingency and business continuity planning and maintain a risk register. Board to retain oversight of risk and conduct a full review of risk register at least annually.		

2.37	Have adequate insurance or be a member of DfE's risk protection arrangement		
2.39	Implement reasonable risk management audit recommendations		
2.40 to 2.44	Have published procedures for whistleblowing and respond properly and fairly		
2.45	Provide ESFA or its agents with information of sufficient quality to meet funding requirements		
2.46 to 2.50	Notify DfE via Get information about schools within 14 days of changes in information about members, trustees, local governors, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer		
Internal scrutiny			
3.1 to 3.5	Check financial and non-financial controls and risks		
3.13	Ensure information submitted to DfE and ESFA affecting funding is accurate and compliant		
3.14 to 3.17	Ensure checks are conducted by someone independent, suitably qualified and experienced		
3.14 and 3.15	Provide internal scrutiny reports to the audit and risk committee and make the findings available to all trustees promptly		
3.19	Confirm in the governance statement which internal scrutiny option has been applied and why		

3.20	Provide annual summary of internal scrutiny to ESFA by 31 December, and provide other internal scrutiny reports on request		
Annual accounts and external audit			
4.1 to 4.4	Produce audited accounts, publish on the trust's website by 31 January and file with Companies House		
4.5 and 4.6	Appoint an external auditor in writing, for the annual accounts		
4.6	Put any additional services from the external auditor in a separate letter of engagement		
4.7	Provide in the audit contract for the removal of external auditors		
4.8	Notify ESFA immediately of the removal or resignation of external auditors, and the reasons		
4.9	Prepare information, at DfE's request, for the sector annual report and accounts		
4.13	Include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit, and address the auditor's conclusions on regularity jointly to the trust and ESFA		
4.15	Audit and risk committee to review the external auditor's plan, annual accounts, audit findings, management response and effectiveness of the external auditor and produce annual report of conclusions		
Delegated authorities			

5.1 and 5.2	Obtain ESFA's prior approval for transactions beyond the trust's delegated limits		
5.3 and 5.4	Make financial disclosures in the annual accounts in line with this handbook		
5.6	Refer novel, contentious and/or repercussive transactions to ESFA for prior approval		
5.9	<p>For staff severance payments, consider the following before committing:</p> <p>whether the proposed payment is in the trust's interests</p> <p>whether payment is justified and value for money, based on a legal assessment</p> <p>review the level of settlement, which must be less than the legal assessment of what the relevant body (e.g. employment tribunal) is likely to award</p>		
5.11	Obtain ESFA's prior approval for the non-contractual/non-statutory element of a staff severance payment of £50,000 or more (gross, before deductions)		
5.12	Not accept a settlement for a staff severance payment unless satisfying the conditions in this handbook		
5.13	Obtain prior approval for special staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k		
5.14	Ensure confidentiality clauses do not prevent an individual's right to make disclosures in the public interest		
5.15	For compensation payments, base on appraisal, including legal advice, ensuring value for money		

5.16	Obtain ESFA's prior approval for non-contractual/non-statutory compensation payments of £50,000 or more		
5.18	Obtain ESFA's prior approval for ex gratia payments		
5.19 and 5.20	Obtain ESFA's prior approval for writing off debts and losses, guarantees, letters of comfort and indemnities beyond limits in this handbook		
5.23 and 5.24	Obtain ESFA's prior approval, before acquiring and disposing of fixed assets beyond limits in this handbook and ensure disposal achieves best price		
5.26 to 5.28	Obtain ESFA's prior approval for leases beyond limits in this handbook		
5.31	Consider the funding needs of individual academies if pooling GAG, and have an appeals mechanism		
5.31	Not pool PFI funding		
5.32	Ensure gifts by the trust have the decision documented, and have regard to propriety and regularity		
5.33	Obtain ESFA's prior approval before borrowing, including finance leases and overdrafts, and only use credit cards for business expenditure		
5.36	Ensure no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain		
5.36	Ensure no payments to trustees unless permitted by the articles and comply with the terms of any agreement with the Secretary of State		

5.36	Obtain Charity Commission prior approval for paying a trustee for acting as a trustee		
5.38	Ensure the board chair and the accounting officer manage their relationships with related parties to avoid real and perceived conflicts of interest		
5.39 and 5.40	Recognise that related party transactions may attract public scrutiny and require sufficient disclosure in annual accounts to support accountability and transparency		
5.41	Report all contracts and other agreements with related parties to ESFA in advance		
5.42 to 5.44	Obtain ESFA prior approval for contracts and other agreements with related parties beyond limits in this handbook subject to the exceptions in 5.42		
5.45 and 5.46	Capture in an up to date register of interests the relevant business and financial interests of members, trustees, local governors and senior employees [5.45] and interests of other individuals as described in 5.46		
1.44 and 5.48	Publish relevant business and financial interests of members, trustees, local governors and accounting officers		
The regulator and intervention			
6.2	Arrange for letters to trusts' accounting officers from ESFA's accounting officer about the accountability framework to be discussed by the board and, where appropriate, strengthen the trust's systems		
6.3	Provide DfE/ESFA with access to books, records, information, explanations, assets, premises and staff to assist with its audits		
6.4	Provide DfE/ESFA with permission for any third party to provide requested information where there are concerns or an investigation is ongoing at a trust		

6.5	Retain records for at least six years after the period to which funding relates		
6.6	Send ESFA a financial management and governance self-assessment for new academy trusts, or constituent academies joining an existing trust		
6.6	Submit school resource management self-assessment checklist to ESFA annually		
6.9	Be aware of the risk of fraud, theft and irregularity and address with proportionate controls and appropriate action		
6.10	Notify ESFA of fraud or theft over £5,000, individually or cumulatively, or of any value where unusual or systematic		
6.14	Be aware of the risk of cybercrime and put in place proportionate controls and appropriate action where a cyber security incident has occurred		
6.15	Obtain permission from ESFA before paying any cyber ransom demands		
6.17	Comply with a Notice to Improve		
6.18	Waive delegated authorities and obtain ESFA approval of certain transactions described in this handbook if the trust has an Ntl		
6.19	Publish the Ntl on the trust's website until it is lifted		
6.26	Cooperate with NAO and provide help, information and explanation		

AZETS