Audit Findings

Barnwell Academy Trust

Year ended 31 August 2022

The Board of Trustees
Barnwell Academy Trust
Whitefield Estate
Houghton le Spring
Sunderland
DH4 7RT

16 November 2022

Dear Trustees

Barnwell Academy Trust
Audit findings for the year ended 31 August 2022

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 auditors 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 that have been prepared on behalf of management with the oversight of those charged with governance. The audit of the academy trust's financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements. 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.

Our report also includes details of recently released accounting standards and legislation which we would like to bring to your attention – see appendix III. This section is for information only. Appendix IV also lists all the "musts" that are included within the Academy Trust Handbook 2022.

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ICAEW CHARTERED ACCOUNTANTS

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.

Please note that the report has been prepared for the use of the Trustees and Management only.

Yours faithfully

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ICAEW CHARTERED ACCOUNTANTS

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Executive summary

Audit overview

This table summarises the key findings from the statutory audit of Barnwell Academy Trust for the year ended 31 August 2022 for those charged with governance.

Audit opinion	• We do not propose any modifications to our audit opinion which is unqualified. • of the going concern basis or inadequate disclosures relating to material uncertainties. • Our audit work is substantially complete and there are currently no matters which would require modification of our audit report. • We await the LGPS valuation report in order to finalise the accounts. We do not anticipate any further issues as we have reviewed the updated assumptions.
Key findings on audit risks and other matters	• We have reported our audit findings on pages 2-14 and audit adjustments on page 10. The impact on the academy trust's reserves excluding the LGPS adjustment is nil. • We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.
Audit adjustments	• 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. Details of the audit adjustments and potential adjustments are included on 10. • We did not identify any non-trivial unadjusted misstatements.
Accounting systems and internal controls	• We have applied our risk-based methodology to your audit. This approach requires us to document, evaluate and assess your business processes and internal controls relating to the financial reporting process. • 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 any control weaknesses, we are required to report these to you. No material weaknesses or significant deficiencies were noted.

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.

Our assessment of materiality for this year ended 31 August 2022 was calculated as follows.

	£	Explanation
Overall materiality for the financial statements	16,800	Accounts materially misstated where total errors exceed this value.
Performance materiality	12,600	Work performed to capture individual errors at this level.
Trivial threshold	840	All errors greater than this are reported.

Significant findings

Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Audit approach	Audit findings and conclusion
Fraud in revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported revenue position.	• Review and testing of revenues recognition policies • Detailed substantive testing on all material revenue streams, including ESFA and local authority funding	We are satisfied that income is free of material errors and is appropriately disclosed in the financial statements.
Management override of controls Under ISA (UK) 240 there is a presumed risk that management and trustees have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.	• Review of accounting estimates, judgement and decisions made by management • Testing of journal entries • Review of significant unusual transactions	Our testing did not indicate any evidence of management override of controls.
Going concern Under ISA (UK) 570, there is a presumed risk that the academy trust may not be a going concern.	• Review of year end reserves • Review of budgets for at least 12 months following the date the accounts are approved • Consideration of assumptions made in producing the budgets • Consideration of the trustees' assessment of going concern • Review of future plans and commitments	See our assessment of the work done on going concern below.

Other findings

Other identified risks	Audit approach	Audit findings and conclusion
Related parties		
Under ISA (UK) 550, there is a presumed risk that related party transactions may be inaccurate or misstated within the financial statements	• Review of completeness of declared related parties • Review of accounting records for potential additional transactions • Review of compliance with ESFA regulations • Discussions with management	We did not find any undisclosed related party transactions.
LGPS liability and disclosures		
There is a risk that the liability and disclosures in respect of the local government pension scheme liability may be materially misstated.	• Review of assumptions made and comparison with other academy trusts • Review of adjustments and comparison with the actuary's report • Review of disclosures and comparison with the actuary's report • Review of the credentials of the actuary preparing the valuation	Our review did not identify any issues with the report provided, nor the adjustments and disclosures made in the financial statement. The liability has decreased significantly this year as a result of changes in the discount rate. We also ensured that the actuarial valuations took account of the increased inflation since the year end.
Impact of Covid-19		
The pandemic may have increased risks due to financial controls being adapted, additional sources of funding being obtained and additional guidance being issued by the ESFA	• Review of additional income such as CJRS and exceptional funding claims where relevant • Review of accounting entries and balances • Considering additional risks where financial controls have been adapted • Additional considerations around going concern and post balance sheet events • Discussions with management	Our review and risk assessment took into accounts the impact of Covid-19 and we have reviewed material accounting entries and financial statements disclosures. We have nothing to report to you in this regard.

Valuation and recognition of land and buildings There is a risk that land and buildings may not be appropriately recognised or valued in the financial statements.	• Review of leases and supplemental agreements to confirm basis for occupation • Review of valuation reports • Review of potential impairment of assets • Discussions with management	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.
Restricted and unrestricted funds 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	• 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 I accordance with the terms of the grant	From our review we are satisfied that funds have been appropriately accounted for and disclosed in the financial statements.

There were no changes to our audit plan previously communicated to you.

Findings in respect of other areas

Internal audit
The ESFA have issued more guidance and updated the Academy Trust Handbook around their expectations for internal scrutiny/internal audit and the need for it to be more risk based, with increased emphasis on the coverage of non-financial areas. We recommend that this is discussed with your internal audit provider, to ensure that your provision remains compliant with the current requirements..

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	Audit work performed	Audit findings and conclusion
Management and trustees have assessed the trust be a going concern as required by the Academy Trust Handbook. This assessment is based on the management accounts, levels of reserves, the budgets approved for 2022/23 onwards and by reference to other available information.	We have reviewed the trust’s financial forecasts including their underpinning assumptions, held discussion with management including the future plans of the trust, reviewed the expected levels of reserves in the future, considered the ongoing impact of inflation and wider economic factor and expectations around funding/income, payroll expenditure and other expenses. We have also considered the narrative included in the Trustees’ Report and in the notes to the financial statements	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.

Accounting policies, judgements, estimates and disclosures

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

We do not have any comments or recommendations to make to you in respect of accounting policies.

Judgements and estimates

We have covered the risks inherent in the valuation of the LGPS liability elsewhere in this report.

We have covered the risks in estimating the value of land and buildings, and on assets and liabilities on conversion/transfer elsewhere in this report.

We are satisfied that the depreciation policy and rates adopted are appropriate to the trust.

We have no further comments in respect of accounting estimates.

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 academy trust.

Conclusion

We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the academy trust.

Other communication requirements

Fraud or suspected fraud

We have previously discussed the risk of fraud with the Board and have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.

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 trustees 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.

Non-compliance with laws and regulations

The principal laws and regulations with which the academy trust complies include company and charity law and the ESFA regularity framework. We are not aware of any significant incidences of non-compliance.

There are also may other laws and regulations relating to health and safety as well as human resources generally and industry specific requirements. We are not aware of any significant incidences of non- compliance.

Written representations

We enclose the final draft letters of representation covering the financial statements and regularity audits at Appendices I and II which we will request the Board to sign at the same time as the financial statements are approved.

Related parties

We are not aware of any related party transactions which have not been disclosed – further consideration of our audit work is detailed above.

Confirmations from third parties

All requested confirmations have been received for which we undertook alternative audit procedures.

Regularity reporting

The second audit report pertains to our work on regularity, the concept that governs appropriation of funds within Academy Trusts. Again, our report is unqualified which means that there is nothing that has come to our attention that requires reporting formally in the accounts. Details of the work we have done to reach this conclusion is include in our report on regularity in the financial statements.

Misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Details of items corrected following discussions with you and your team are as below.

Corrected misstatements

No	Detail	SOFA account		Balance Sheet		Funds effect
		Dr £	Cr £	Dr £	Cr £	£
Surplus/(deficit) as presented for audit						(45,022)
Adjustments notified to us by the academy trust						
1	LGPS FRS102 valuation	-	1,535,000	1,535,000	-	1,535,000
Adjustments identified during the audit process						
1	Remove internal capital/contributions journals	49,600	49,600	-	-	-
Surplus/(deficit) per audited accounts						1,489,978

Uncorrected misstatements

We did not identify any non-trivial uncorrected misstatements during the course of our audit.

Internal controls

The purpose of an audit is to express an opinion on the financial statements. 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. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

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 any control weaknesses, we have reported these to you below.

We have not identified any matters to be reported this year.

Internal controls – update on prior recommendations

Audit issues communicated in the previous management letter and their status in the current period are outlined below.

Area	Observation	Implication	Recommendation	Resolved?
Documentation of controls – children's milk service	At the time of the audit, there were no documented controls or checks in connection with the children's milk service	Although checks were taking place, with appropriate segregation of duties, the new process has not been documented. This could lead to checks not being carried out in the future	The controls in place should be approved by trustees and documented	Resolved
Trustees' interest declarations	One trustee omitted a company directorship that had been declared in the previous year	Trustees are not fully complying with ESFA requirements, and could enter into unapproved related party transactions	Trustees are reminded that all business and pecuniary interests should be declared	Resolved
Underpayment of staff wages	We identified one example of a staff member being underpaid due to the incorrect number of hours worked being calculated	Staff members could be under or over paid	Checks are built into the payroll approval process to ensure that hours worked are correctly identified	Resolved

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Independence

In accordance with our profession's ethical guidance and further to our audit planning report to you confirming audit planning arrangements, there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

Non-audit services

The following non-audit services were provided by Azets in the year:

Non-audit service	Fees	Type of threat	Safeguard
Preparation of financial statements	£1,500	Self review	Financial statements prepared by Azets team member not involved in the audit process
Preparation of AAR	£600	Self review	AAR prepared by Azets team member not involved in the audit process

Presentation of financial statements and approval process

Introduction

Azets Audit Services is responsible for forming and expressing an opinion on the financial statements as a whole. We have carried out our work in accordance with our terms of engagement and with International Accounting Statements on Auditing (UK).

The accounts are in a similar format to previous years with no changes to format other than some additional detail around income, disclosure of legal fees and minor changes to certain notes.

The accounts breakdown into **five** key sections:

1. Reference and administrative details.
2. Trustees' Report, Governance Statement & statements on regularity and Trustees' responsibilities.
3. Audit reports – Statutory and Regularity.
4. Primary financial statements – Statement of Financial Activities (SOFA), Balance Sheet and Cash Flow statement.
5. Notes to the Accounts.

Section 1 – Reference and Administration

- Members and Trustees – include details to date of approval.
- Senior leadership team – review and confirm.

Section 2 – Trustees' Report, Governance Statement and Statement on Regularity

- Primarily statutory information but equally contains areas where you are encouraged to report on the performance of the Academy during the year.
- The Trustees' Report and the following statements belong to you and we do not audit these reports, rather we ensure the information contained within them is consistent with the financial statements starting with the SOFA. We would encourage you to read through the statements and in particularly take note of the statement of Trustees' Responsibilities.
- There are some minor changes from 2021, guidance was provided by the ESFA in the Academies Accounts Direction and Supplementary Bulletin.
- Governance Statement – includes a note attendance at meetings, the accounting officer's value for money statement and details of internal audit and any issues reported.

Section 3 - Audit reports

We produce two reports.

- The first is the statutory audit and is designed for us to provide a view as to whether the accounts provide a true and fair view of the Academy Trust's financial activities. We have issued an unqualified report in this regard which means that we believe the accounts do show a true and fair view.
- The second audit report pertains to our work on regularity, the concept that governs appropriation of funds within Academy Trusts. Again, our report is unmodified which means that there is nothing that has come to our attention that requires reporting formally in the accounts.

Section 4 - Primary Statements

SOFA

- **Reconciliation of the underlying in year position:**

	£'000
Reported surplus/deficit per SOFA (page 29)	(314)
Less: capital grants (page 29/37)	(9)
Add: depreciation charge (page 29/42)	114
Add: LGPS adjustments charged as an expense (page 45)	269
Underlying surplus/deficit in year	60
Less: capital expenditure from reserves and revenue income	(33)
Total movement in general and unrestricted reserves	27

- **Reconciliation of balance sheet funds to underlying in year position**:

	2022	2021	Change
Restricted GAG	443	400	43
Restricted other	-	13	(13)
Unrestricted	207	211	(4)
Net movement as above	650	624	26
Capital reserves	(5)	(6)	1
Total reserves	645	618	27

- The expenditure under **Unrestricted Funds** consists of expenditure which is not financed by GAG or any other restricted source.
- Grants from the DfE and restricted donations are dealt with through the **Restricted General Funds** column. The fund balance of £443k is made up of a balance of GAG only.
- **Restricted Fixed Asset Funds** capital loan balances of £5k (these will ultimately be repaid from GAG funds).

Balance Sheet – Page 31

- Tangible fixed assets – purchase of £42k in year.
- Debtors of £58k (2021: £57k) are represented by:
  - £9k VAT,
  - Prepayments of £19k (licences, maternity scheme, SLAs)
  - Accrued income of £22k relating to pupil premium and other income relating to 2021/22
- The cash at bank has increased during the year from £629k to £666k.
- Creditors are higher than the prior year being £75k (2021: £64k). This includes:
  - £46k of accruals - mainly daycare wages, utilities, non-teaching staff pay awared
  - £28k deferred income (relating to income received in advance for UIFSM, rates grant, daycare paid in advance)
  - £1k of loan balance (with a further £4k due after one year)

Section 5 - Notes

Note 9 - Staff costs

- Staff costs disclosures include staff trustees' remuneration – 1 listed on page 41.
- 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 41.

Note 18 – fund balances

- Confirmation of restricted fund balances carried forward.
- Restricted funds:
  - GAG - £443k

Note 22 - 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.

Points for Approval by the Board

The Trustees will need to formally consider the following matters before approving the accounts:

- **Reserve policy**
- **Risk management** – risk register.
- **Accounting policies** – confirm no changes.
- **Going concern** – confirm that Trustees consider that the Trust is a going concern for 12 months from the date of approval of the accounts. *
- **Post balance sheet events** – confirm no PBSE that give rise to additional disclosures in the accounts. *
- **Capital commitments** – confirm none at the year-end.
- **Fraud** – confirm that no fraud or miss-statements that Board are aware of that require disclosing.
- **Letters of representation** – to be approved alongside the accounts. *
- **Accounting officer statement** – signed by the accounting officer to confirm no regularity issues together with completion of the accounting officer checklist. *
- **Management letter recommendations** – to be approved by the Board to confirm all points have been considered and a client response provided. *

Approval by the Board to be included in the minutes *

Appendix I – letter of representation - audit

Azets Audit Services Limited
Wynyard Park House
Wynyard
Billingham
TS22 5TB

Dear Sirs

Re: Barnwell Academy Trust

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy trust's financial statements and, as relevant, your assurance engagement on regularity for the year ended 31 August 2022. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

GENERAL

1. We have fulfilled our responsibilities as trustees, as set out in the terms of your engagement letter dated 5 July 2022 under the Companies Act 2006, for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the Academy Trust have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Academy Trust, and with all other records and related information requested, including minutes of all management and trustee meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.

ADJUSTMENTS & DISCLOSURES

4. The financial statements are free of material misstatements, including omissions.
5. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. (See appendix 1 for details of such uncorrected misstatements).

6. We have reviewed and approved all audit adjustments made in the financial statements. (See appendix 2 for details of such audit adjustments)
7. We have reviewed and approved all disclosures made in the financial statements and we are not aware of any other matters which require disclosure in order to comply with the requirements of the Companies Act 2006, UK Generally Accepted Accounting Practice, the Charities SORP and the Academies Accounts Direction issued by the Education and Skills Funding Agency.

INTERNAL CONTROL AND FRAUD

8. We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
9. We have disclosed to you all instances of known or suspected fraud affecting the Academy Trust involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
10. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Academy Trust's financial statements communicated by current or former employees, analysts, regulators or others.
11. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we deem necessary to address the likely effects of the COVID-19 pandemic on our system of internal controls.

ASSETS AND LIABILITIES

12. The Academy Trust has satisfactory title to all assets and there are no liens or encumbrances on the Academy Trust's assets except for those that are disclosed in the notes to the financial statements.
13. There were no changes in fixed assets during the period ended 31 August 2022 other than those disclosed in the accounts.
14. We have reviewed the residual values attached to fixed assets and confirm they are still appropriate and reasonable reflections of these assets condition and usage.
15. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
16. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.
17. We confirm that all bank accounts have been disclosed to you and are included within the financial statements.
18. We confirm that the Academy Trust has not contracted for any capital expenditure other than as disclosed in the financial statements.

ACCOUNTING ESTIMATES

19. The methods, data and significant assumptions used by us in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

LOANS AND ARRANGEMENTS

20. The Academy Trust has not granted any advances or credits to, or made guarantees on behalf of, Directors/Trustees other than those disclosed in the financial statements.

LEGAL CLAIMS

21. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

LAWS AND REGULATIONS

22. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements and disclosures, including non-compliance matters:

    a. Involving financial impropriety;

    b. Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Academy Trust's financial statements;

    c. Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Academy Trust's business, its ability to continue in business, or to avoid material penalties; and

    d. Involving management, or employees who have significant roles in internal control, or others.

23. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, other than those already disclosed.

RELATED PARTIES

24. Related party relationships and transactions, comply with the academy trust's financial regulations, relevant requirements of the Academies Financial Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Academies Accounts Direction issued by the Education and Skills Funding Agency.

SUBSEQUENT EVENTS

25. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

GOING CONCERN

26. We believe that the Academy Trust's financial statements should be prepared on a going concern basis on the grounds that existing cash reserves and future sources of funding or support will be more than adequate for the Academy Trust's needs.

27. We also confirm our plans for future action(s) required to enable the Academy Trust to continue as a going concern are feasible.

28. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the Academy Trust's ability to continue as a going concern need to be made in the financial statements.

29. Our assessment at the date of approval of these accounts is that the Covid-19 pandemic does not create a material uncertainty related to going concern. The notes to the financial statements disclose matters of which we are aware that are relevant to the Academy Trust's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

GRANTS AND DONATIONS

30. Grants made by the Department of Education and Education and Skills Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.

31. All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

DISCLOSURE OF INFORMATION TO THE AUDITOR

32. We acknowledge our legal responsibilities regarding disclosure of information to you as auditor and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

33. We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

34. Each trustee has taken all the steps that they ought to have taken as a trustee in order to make themself aware of any relevant audit information and to establish that you are aware of that information.

Appendix II – letter of representation - regularity

Azets Audit Services Limited
Wynyard Park House
Wynyard
Billingham
TS22 5TB

Dear Sirs

Re: Barnwell Academy Trust

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to Barnwell Academy Trust and the Education and Skills Funding Agency (ESFA) for the year ended 31 August 2022. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy me that I can make each of the following representations. All representations are made to the best of my knowledge and belief.

GENERAL

1. I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between Barnwell Academy Trust and the Secretary of State for Education dated 27 March 2014 and the Academy Trust Handbook 2021.
2. I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.
3. I acknowledge my responsibility to notify the governing body and the ESFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy trust's funding agreement and have had due regard to the requirements of the Academy Trust Handbook 2021 in performing this duty.
4. Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the ESFA.
5. Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the academy trust's authorising framework.
6. Full and free access has been granted to all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Appendix III – Emerging issues – for information only

1. Cyber risk – RPA members
2. DFE chart of accounts
3. Special payments / Indemnities
4. External review of Governance
5. Uniforms
6. ESFA good practice guides
7. VAT

Cyber Risk – RPA members

Reminder: important reminder for all RPA Members - have you met the conditions for RPA cyber cover?

To make sure your school is covered for Cyber Incidents have you met the following 4 conditions:

1. Must have offline backups
2. All employees or Governors who have access to the Member's information technology system must undertake NCSC Cyber Security Training
3. Must register with Police CyberAlarm
4. Must have a Cyber Response Plan in place

If you have any questions or would like more information, contact: RPA.DFE@education.gov.uk.

DFE Chart of Accounts

The academies chart of accounts (CoA) is the Department for Education's standard for financial data that underpins the academies accounts return and budget forecast returns.

Whilst it is not yet a must that use the standard CoA it is now 'strongly recommended'

We would recommend that you speak to your software provider to see how your accounts can quickly (and efficiently) be transferred to the standard CoA.

The DfE states the benefit of changing to the CoA is:

When a trust first converts to using the DfE's CoA, there will be an initial outlay for a trust in terms of time and effort to bring the new accounting structure into operation. However, once embedded, the benefits of using the DfE's standardised CoA are:

- *that it maps directly to the accounts return and budget forecast returns and therefore enables direct input of financial data into these returns*

- *it enables trusts to make use of the DfE's application programme interface (API) tool for pre-populating the Accounts return completing up to 80% of the AR, resulting in a reduction of data entry time*
- *enables use of automated draft financial statements via API*
- *reduces subjectivity across the academies sector and so develops the reliability of benchmarking data comparisons*
- *potential for efficiency savings*

Special Payments/Indemnities

Academy trusts must obtain prior ESFA approval before

- making a special 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

- the following transactions beyond the delegated limits described below:
  - writing-off debts and losses;
  - entering into guarantees or letters of comfort; and
  - entering into indemnities which are not in the normal course of business.

External Reviews of Governance

An objective independent external review of the effectiveness of the board can be a more powerful diagnostic tool than a self-evaluation. External reviews are particularly important before the board undertakes any significant change - for example before a trust grows significantly, or in cases where concerns around governance arise. The Department's strong preference is that external reviews of governance are also conducted routinely as part of a wider programme of self -assessment and improvement. Reviews should also consider the interaction between members and trustees, including the extent to which members are able to assure themselves that the trustees undertake their duties effectively.

Uniforms

In November 2021, the Department for Education published statutory guidance for schools to ensure the cost of school uniforms is reasonable and secures the best value for money. Governing boards should now be compliant with much of the guidance – and fully compliant by Summer 2023.

Here are some key actions schools should already have taken:

- reviewed their uniform policy against the expectations in the statutory guidance (for example removing unnecessary branded items)
- engaged with parents and pupils when developing/reviewing their policy
- published their uniform policy on the school website
- ensured second hand uniforms are available
- considered any procurement needed to comply with the contract and uniform supplier requirements within the guidance (for example for any branded items) so that school uniforms are ready by summer 2023.

All schools should be fully complaint with the guidance by summer 2023.

ESFA Good Practice Guides

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 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

VAT review

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

Our audit does not examine VAT in detail and out 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 area 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 de some irrecoverable VAT and 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 IV – Academies Financial Handbook – The Musts

MUSTS as set out in the Academy Trust Handbook 2022

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.

Top 10 'musts' for chairs and other trustees

Personal responsibilities

- Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with duties as company directors, with charity law and the funding agreement [1.13 and 1.14]

Structures

- Ensure the board of trustees meets at least three times a year, and conducts business only when quorate [2.3]
- Approve a written scheme of delegation of financial powers [2.4]

Relationships

- 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 [5.35 to 5.59] Money and oversight
- Ensure the board approves a balanced budget for the financial year and minutes their approval [2.10]
- Share management accounts with the chair of trustees monthly, with the other trustees six times a year, and consider when the board meets, taking action to maintain financial viability [2.19 and 2.20]
- 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 [2.30 and 2.31]
- 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 [1.24 and 3.6 to 3.14]

Accountability and audit

- Submit audited accounts to ESFA by 31 December [4.4]
- Ensure an appropriate, reasonable and timely response to findings by auditors, taking opportunities to strengthen financial management and control [4.16]

Roles and responsibilities

- Adhere to The 7 principles of public life
- Have the skills, knowledge and experience to run the trust [1.1]
- Have at least three members, although the Department's strong preference is for five [1.3]
- 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 [1.4].
- Not have members as employees, nor have members occupy staff roles on an unpaid voluntary basis [1.5]
- Ensure regularity, propriety and value for money [1.21, 1.38 and 2.7]
- Trustees to take ownership of financial sustainability and ability to operate as a going concern [1.21]
- Ensure committees contain a majority of trustees [1.25]
- Not have de facto trustees or shadow directors [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 [1.28]
- Appoint a senior executive leader (should be principal or chief executive) [1.33]
- 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 to 1.44]
- Demonstrate in the governance statement how the trust has secured value for money [1.41]
- Include a statement on regularity, propriety and compliance, signed by the accounting officer, in the audited accounts [1.41 and 4.13]
- Appoint a chief financial officer to lead the finance department [1.45]
- Have appropriately qualified and/or experienced finance staff [1.46]
- Appoint a governance professional (clerk to the board) [1.49]
- Arrange DBS checks as appropriate [1.51 and 1.52]

Main financial requirements

- Maintain robust oversight of the trust [2.1]
- Take responsibility for financial affairs, stewardship of assets and use resources efficiently [2.2]
- Describe in the governance statement how the board has maintained effective oversight if meeting less than six times a year [2.3]

- Have sound internal control, risk management and assurance processes [2.6]
- Establish a control framework that includes:
  - 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
  - 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 tendering policy [2.7 and 2.28]
- Prepare and monitor financial plans to ensure the trust remains a going concern and ensure rigour and scrutiny in budget management [2.8 and 2.9]
- Ensure budget forecasts are accurate, based on realistic assumptions and reflective of lessons learned from previous years [2.11]
- Submit a budget forecast return outturn and 3-year budget forecast return to ESFA [2.15 and 2.16]
- 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 [2.17]
- Prepare management accounts every month and take appropriate action. Measure key financial performance indicators regularly and analyse in annual trustees' report [2.18, 2.21 and 2.22]
- Manage cash position robustly and avoid becoming overdrawn [2.24]
- Have a cautious approach to investments in line with the handbook principles [2.25]
- Show that public funds have been used as intended by Parliament [2.27]
- Publish on trust's website the number of employees whose benefits exceeded £100k, in £10k bandings [2.32]
- Ensure senior employees' payroll arrangements meet HM Treasury's tax requirements [2.34] 70
- Not use trust's funds to purchase alcohol for consumption, except where it is to be used in religious services [2.35]
- Charge for boarding provision in line with this handbook [2.37]
- Manage risks, including contingency and business continuity planning and maintain a risk register. Board to retain oversight of risk and review risk register at least annually. [2.38 and 2.39]
- Have adequate insurance or be a member of DfE's risk protection arrangement [2.40]
- Implement reasonable risk management audit recommendations [2.42]
- Have published procedures for whistleblowing and respond properly and fairly [2.43 to 2.48]
- Be transparent with governance arrangements [2.49]
- Publish the trust's governance arrangements in its governance statement and in a readily accessible form on its website [2.50]

- Ensure governance documents are available for public inspection [2.51].
- Provide ESFA or its agents with information of sufficient quality to meet funding requirements [2.52]
- 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 [2.54 to 2.58]

Internal scrutiny

- Check financial and non-financial controls and risks [3.1 to 3.5]
- Oversee controls and risks at constituent academies [3.13]
- Ensure information submitted to DfE and ESFA affecting funding is accurate and compliant [3.14]
- Internal scrutiny must be viewed in the same way as internal audit [3.20].
- Ensure checks are conducted by someone independent, suitably qualified and experienced [3.15 to 3.21]
- Provide internal scrutiny reports to the audit and risk committee and make the findings available to all trustees promptly [3.15 and 3.16]
- Confirm in the governance statement which internal scrutiny option has been applied and why [3.22]
- Provide annual summary of internal scrutiny to ESFA by 31 December, and provide other internal scrutiny reports on request [3.23] 71

Annual accounts and external audit

- Produce audited accounts, publish on the trust's website by 31 January and file with Companies House [4.1 to 4.4]
- Appoint an external auditor in writing, for the annual accounts [4.5 and 4.6]
- Put any additional services from the external auditor in a separate letter of engagement [4.6]
- Provide in the audit contract for the removal of external auditors [4.7]
- Notify ESFA immediately of the removal or resignation of external auditors, and the reasons [4.8]
- Prepare information, at DfE's request, for the sector annual report and accounts [4.9 and 4.10]
- 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 [4.17]

Delegated authorities

- Obtain ESFA's prior approval for transactions beyond the trust's delegated limits [5.1]
- Make financial disclosures in the annual accounts in line with this handbook [5.2 and 5.3]
- Refer novel, contentious and/or repercussive transactions to ESFA for prior approval [5.5]
- For staff severance payments, consider the following before committing:
    - whether the proposed payment is in the trust's interests

- whether payment is justified and value for money, based on a legal assessment
- 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 [5.8]

- 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) [5.10]
- Not accept a settlement for a staff severance payment unless satisfying the conditions in this handbook [5.11] 72
- Obtain prior approval for staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k [5.12]
- Ensure confidentiality clauses do not prevent an individual's right to make disclosures in the public interest [5.13]
- For compensation payments, base on appraisal, including legal advice, ensuring value for money [5.14]
- Obtain ESFA's prior approval for non-contractual/non-statutory compensation payments of £50,000 or more [5.15]
- Obtain ESFA's prior approval for ex gratia payments [5.18]
- Obtain ESFA's prior approval for writing off debts and losses, guarantees, letters of comfort and indemnities beyond limits in this handbook [5.19 and 5.20]
- Obtain ESFA's prior approval, before acquiring and disposing of fixed assets beyond limits in this handbook and ensure disposal achieves best price [5.23 and 5.24]
- Obtain ESFA's prior approval for leases beyond limits in this handbook [5.26 to 5.28]
- Not pool PFI funding across a trust with multiple academies [5.30]
- Consider the funding needs of individual academies if pooling GAG, and have an appeals mechanism [5.31]
- Ensure gifts by the trust have the decision documented, and have regard to propriety and regularity [5.32]
- Obtain ESFA's prior approval before borrowing, including finance leases and overdrafts, and only use credit cards for business expenditure [5.33]
- 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 [5.36]
- Ensure the board chair and the accounting officer manage their relationships with related parties to avoid real and perceived conflicts of interest [5.38]
- Recognise that related party transactions may attract public scrutiny and require sufficient disclosure in annual accounts to support accountability and transparency [5.39 and 5.40]
- Report all contracts and other agreements with related parties to ESFA in advance [5.41] 73
- Obtain ESFA prior approval for contracts and other agreements with related parties beyond limits in this handbook [5.42 to 5.44]

- Capture in an up to date register of interests the relevant business and pecuniary interests of members, trustees, local governors and senior employees [5.45] and interests of other individuals as described in [5.46]
- Publish relevant business and pecuniary interests of members, trustees, local governors and accounting officers [2.50 and 5.48]

The regulator and intervention

- 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 [6.2]
- Provide ESFA with access to books, records, information, explanations, assets, premises and staff to assist with its audits [6.4]
- Provide 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 [6.7]
- Submit school resource management self-assessment tool to ESFA annually [6.9]
- Be aware of the risk of fraud, theft and irregularity and address with proportionate controls and appropriate action [6.11]
- Notify ESFA of fraud or theft over £5,000, individually or cumulatively, or of any value where unusual or systematic [6.12]
- Be aware of the risk of cybercrime and put in place proportionate controls and appropriate action where a cyber security incident has occurred [6.16]
- Obtain permission from ESFA before paying any cyber ransom demands [6.17].
- Comply with a Trust Notice to Improve [6.18 and 6.20]
- Publish the NtI on the trust's website until it is lifted [6.19]
- Waive delegated authorities and obtain ESFA approval of certain transactions described in this handbook if the trust has an NtI [6.21]
- Cooperate with NAO and provide help, information and explanation [6.29]