

The Liverpool Joint Catholic & Church of England Academies Trust

Audit findings report
year ended 31 August 2021

21 December 2021



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Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of The Liverpool Joint Catholic & Church of England Academies Trust the regularity reporting in respect of the year ended 31 August 2021.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide those charged with governance with the required confidence that a thorough and robust audit has been carried out.

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing an unmodified audit opinion on the group's financial statements and an unmodified regularity conclusion in line with the agreed timetable.

** Where 'audit' is used in the remainder of the document it should be read as including regularity reporting as appropriate*

Outstanding items to be resolved:

- No outstanding items noted.

Risks and approach

We have carried out testing as planned on the risks identified during planning and draw your attention to the following key points for discussion:

- Regularity

Additional matters

In addition, the following matters came to light as a result of our work, which are covered later in this report:

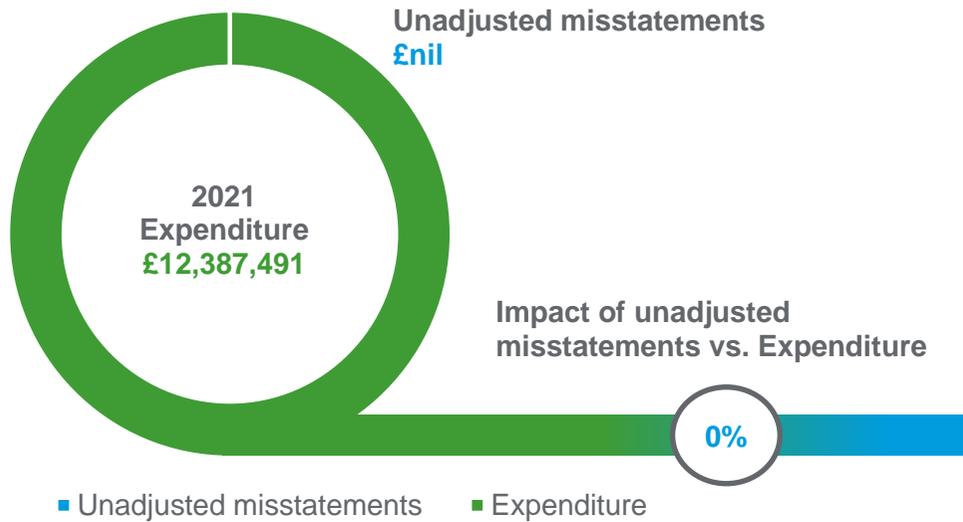
- Donated laptops
- Internal audit reports
- Debtor balances
- B/fwd VAT difference

Final materiality

Materiality was determined based on 2% of expenditure for the year.

Unadjusted audit misstatements

We have identified potential audit misstatements of £nil which would have a 0% impact on the expenditure for the year as highlighted below. A list of the unadjusted misstatements is included in the Appendix.



Finance process

Our observations on the finance process are detailed further along in this report. These are summarised below:

Control deficiencies	
Significant control deficiencies	0
Other control deficiencies	2
Other observations	1

Risks identified at the planning stage

Risk	Description	Response	Findings
Management override	Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address the risk.	<p>We will:</p> <ul style="list-style-type: none"> test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, tracing selected entries back to source documentation. review significant accounting estimates and policies which could involve bias resulting in a material misstatement. The key areas of estimation are considered to be: the useful lives of fixed assets and the estimates made within the defined benefit scheme valuation. discuss the basis and business rationale for any significant non-routine or contentious transactions which came to our attention during the course of our audit and will fully report the outcomes of our testing in our audit findings report. 	<p>Appropriateness of journal entries</p> <p>We have performed an overall substantive analytical review of the balances within the financial statements with all movements explained and understood.</p> <p>We have also selected a risk-based sample of journals to test with no issues noted. All transactions sampled were appropriately explained and corroborated by management.</p> <p>Review of Accounting Estimates for Bias</p> <p>As set out opposite, key areas of estimation affecting the FY20/21 financial statements include useful lives of fixed assets and the estimates made within the defined benefit scheme. We comment separately on these later in this report.</p> <p>Our review and testing of the depreciation rates and useful lives of the relevant assets did not result in any errors or inconsistencies being identified.</p> <p>Understand the rationale for transactions outside the normal course of business</p> <p>Management have not disclosed any transactions outside of the normal course of business and our work has not highlighted anything unusual or unexpected.</p>

Pension scheme liability	<p>The liability that is required to be recognised under FRS 102 in respect of the Academy Trust's share of the Local Government Pension Scheme deficit is expected to be significant. It is derived from calculations undertaken by an actuary based on Academy Trust data and a number of key actuarial assumptions.</p> <p>There is a risk that the amount may be materially misstated where the data and/or assumptions used are not appropriate.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the key data and underlying assumptions used by the actuary to calculate the balance, to ensure that these appear reasonable when benchmarked against other market data/rates used by other actuaries. • review the related disclosure in the financial statements to ensure that this is appropriate. 	<p>No issues have been identified from our review of the actuarial reports for St Francis and St Nicholas.</p> <p>The assumptions appear reasonable and in line with benchmark data.</p>
Income recognition	<p>The Academy Trust receives significant levels of grant funding and this should be recognised in accordance with the Charities SORP recognition criteria and per the underlying funding agreement.</p>	<p>The accounting policies adopted by the Academy Trust will be reviewed, considering the guidance available in Charities SORP and the recognition criteria of entitlement, certainty and measurement. A review of grant funding agreements will be performed to determine whether the associated income has been recognised when appropriate. Through discussion with management and review of minutes we will identify any unexpected one-off sources of income, and ensure the associated treatment is appropriate.</p>	<p>A review of the funding income from the ESFA in the year has been performed.</p> <p>No significant issues have been identified from the testing performed.</p>
Fund accounting	<p>The majority of the Academy Trust's income streams, including the GAG, have specific terms and conditions attached, governing the use and application of the funding. Accordingly, there is a risk that restricted funds could be incorrectly recognised and disclosed.</p>	<p>We will:</p> <ul style="list-style-type: none"> • consider whether suitable procedures are in place for identifying sources of restricted income and monitoring their subsequent use. • review a sample of income and expenditure disbursed from restricted funds to ensure the funds have been utilised in accordance with their restricted charitable purpose. 	<p>Suitable procedures appear to be in place to ensure that restricted funds have been spent appropriately and no related regularity issues have been identified.</p> <p>We have reviewed a sample of income and expenditure disbursed from restricted funds to ensure funds have been utilised in accordance with their restricted purpose – with no issues resulting from our work performed.</p>

Going concern	<p>The Trustees are responsible for assessing whether adopting the going concern basis of accounting for the financial statements remains appropriate for the foreseeable future. Consideration in this regard must be given to a period of at least one year from the expected date of approval of the financial statements.</p> <p>Guidance, released by the FRC, which may be helpful in management forming their assessment, can be found here.</p> <p>In addition, the implementation of ISA 570 (UK) Revised Going Concern has resulted in enhanced risk assessment and greater challenge and work effort to be performed by us, when evaluating management's assessment in relation to going concern. Further details of the changes to the standard can be found here.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review and challenge the Trustees' and management's going concern assessment, including but not limited to consideration of the financial plans, budgets and forecasts prepared on behalf of the Trustees. • consider whether the forecast position and management's sensitivity analysis including the key underlying assumptions, appear reasonable and whether a material uncertainty exists. • consider whether the related disclosure in the financial statements is clear and appropriate. As part of this we will consider supporting evidence provided by management and challenge where necessary. • seek written representations from management about their plans for the future and the feasibility of their plans. 	<p>We have obtained, reviewed and challenged management's assessment of going concern for the company. This has included reviewing forecasts for the period to 31st August 2026 as submitted to the ESFA.</p> <p>Understanding of management's key assumptions and sensitivities. Reviewing disclosures in the financial statements to ensure that they are complete, accurate and appropriate.</p> <p>Management's assessment, and our review, concluded that the forecast position including existing funds provides the trust with significant headroom and liquidity.</p> <p>Forecasts appeared to be prepared on a reasonable basis.</p>
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<p>Regularity</p>	<p>Academies are required to comply with the provisions of the funding agreements with the Secretary of State and by virtue of that the Academies Financial Handbook published by the Education Funding Agency (EFA) in 2020. We are required to give a regularity engagement conclusion as set out in the Academies: Accounts Direction 2020/21 and the section above, of which compliance with the funding agreement and the Financial Handbook inter alia form a part. In order to report our conclusion that nothing has come to our attention we need to consider the funding received from ESFA, DfE and all other sources in the period and whether the Academies have complied in all material respects with the funding agreements, the Financial Handbook and specific terms and conditions of funding, and other framework of authorities.</p>	<p>We will:</p> <ul style="list-style-type: none"> • obtain an understanding of the framework of authorities and how the academy has translated those in to controls, policies and procedures. • assess the nature, design and effectiveness of this and based on our assessment of risks of material irregularities and noncompliance will undertake testing of controls and detailed testing of financial transactions. • undertake procedures on areas that we consider represent greater risk, by virtue of their nature, of impropriety of financial transactions. • review whether the Academy had controls, policies and procedures in place for the whole accounting period. • plan our work in order to ensure that we derive such evidence as appropriate to support the regularity conclusion from planned financial statement procedures, as well as having regard to propriety of transactions. • review the correspondence with the ESFA and consider the changes made to remove the financial notice to improve which was provided to the academy and then lifted within the current financial year. 	<p>We have obtained an understanding of the framework of authorities and how the academy trust has translated those into controls, policies and procedures.</p> <p>We have reviewed policies currently in place with comparison to the Academies Financial Handbook (published in 2020).</p> <p>Our review of the policies/procedures in place has not highlighted any issues.</p> <p>We have performed specific sample testing on areas we feel represent greater risk of irregularity/impropriety.</p> <p>Management confirmed there have been no settlements or ex-gratia payments in the year. We have reviewed a sample of staff expenses, headteacher expenses, petty cash transactions and procurement processes (tenders/quotes etc.) to ensure that the policies and being followed and that value for money is being appropriately considered.</p> <p>We have reviewed the correspondence with the ESFA and assessed whether we feel the trust has made appropriate changes to address the financial notice to improve. We have no issues to note from our reviews.</p> <p>We discussed with management an expense claim for £19 from the Malmaison Hotel – this was a lunch which was identified as part of our expenses sample testing. Management have confirmed that this is an isolated incident relating to before the changes in management were made. The expenses policy has subsequently been updated and approved.</p>
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Risks identified during the audit

Risk	Description	Response	Findings
Donated laptops	We note that during the current financial year £311k worth of laptops have been donated to the trust during the covid-19 pandemic as pupils have needed to attend classes remotely.	<p>Whilst the trust has not paid for these laptops, the laptops are now owned by the trust and in order to track these assets they are to be capitalised within the fixed assets of the trust.</p> <p>Upon capitalising these assets the trust must estimate a valuation to attribute to the assets acquired.</p>	<p>We have selected a sample of the assets received and have compared the valuation management attributed to that model of laptop to the market prices online.</p> <p>Based upon the sample tested the values management have attributed to the laptops appear reasonable.</p>
Internal audit reports	During the current year the trust has received 3 internal audit reports from Gardiner Russell in the current financial year.	<p>We have considered any recommendations resulting from the internal audit reports.</p> <p>The recommendations involved:</p> <ul style="list-style-type: none"> evidence of reviews of monthly bank reconciliations; clear evidence of purchase orders and invoices before they are paid; final payroll run is signed off by the director of finance. 	Management confirm they have considered the priority levels and will implement recommendations from the internal audit reports accordingly.
Debtor balances	As part of our consideration of the recoverability of any debtor balances within the financial statements as at the year-end. We select a sample for testing from the debtors listing provided by management and review post year-end receipts to the bank statements.	<p>We noted two debtor balances which have yet to be recovered post year-end:</p> <ul style="list-style-type: none"> Belle Vale - £15,060 Middlefield Primary School - £16,660 <p>We will follow up the recovery these balances to the point of signing the financial statements.</p>	We have confirmed with management that whilst these balances are still showing as outstanding they are comfortable with regards to their recovery given that the money is not the trusts and is held on behalf of the Liverpool Schools Sports Partnership.
B/fwd VAT balance diff	When reviewing the year-end VAT balance recoverable we noted a difference of £13k between the breakdowns and the trial balances for St Francis and St Nicholas.	<p>When investigated further we understand this difference relates to brought forward differences which are due to be investigated.</p> <p>The difference noted is trivial in terms of its value and hence we have not included an adjustment within the appendix.</p>	We advise management to investigate and resolve this difference going forward.

Recommendations on controls

We have set out below recommendations on internal controls which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all internal control matters or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Assessment Issue and risk



- **VAT claims** - A VAT claim has not been submitted since April 2021. Total amounts to be claimed are £185k which would be helpful to cash flow.

Recommendations

- We would advise management to submit their VAT claims in a timely manner.

Management Response

- Management have confirmed that they are now up to date and this was a temporary/one-off delay due to staffing constraints.



- **Duplicate items in bank reconciliation** - two transactions were identified as being duplicates within the year-end bank reconciliation.

Recommendations

- The values involved are highly trivial to raise as an adjustment and we understand that management have since corrected the errors.

Management Response

- Management have confirmed they have corrected the error.

Assessment

- Significant control recommendation
- Other control recommendations

Other matters to be reported

Significant qualitative aspects of the entity's accounting practices

Other than the items mentioned within this report, there are no further matters to be discussed with the audit committee.

Management judgements and accounting estimates

The following areas are considered to be the principal accounting estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management's estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements. Conversely a reasonably possible change that has a higher impact, means that such a change can have a significant impact.

Estimates	Low impact		High impact
Defined benefit pension scheme			●
Useful economic lives of fixed assets		●	
Capitalisation of fixed assets		●	

Representations requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we will be seeking specific representations from the Board on the following matters:

- Confirmation that forecasts have been reviewed in detail by the board and in their opinion are a fair representation of the expected performance of the Academy in the forecast period.
- Staff numbers are below 250 in the current financial year.

Update on matters communicated at the planning stage

Matter communicated

Update

Fees

We confirm that the fees charged during the year in respect of services performed are consistent with those contained within our Audit Plan submitted to you.

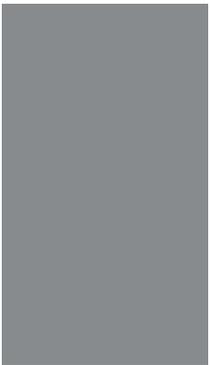
Additional fees

£nil

Independence

In accordance with International Standard on Auditing (UK) 260 "Communication with those charged with governance", there are no changes to the details of relationships between RSM UK Audit LLP including its related entities and persons in a position to influence the conduct or outcome of the audit and The Liverpool Joint Catholic & Church of England Academies Trust and its connected parties that may reasonably be thought to bear on our independence, integrity and objectivity and the related safeguards from those disclosed in the Audit Plan.

This report has been prepared for the sole use of The Liverpool Joint Catholic & Church of England Academies Trust and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.



Unadjusted accounting misstatements

A summary of the unadjusted misstatements identified during the course of our work is set out below, analysed between misstatements of fact and differences in judgement.

We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit. For this purpose, we consider “clearly trivial” to be any matter less than £14,000.

We advised management of all these misstatements and requested management to correct them.

Adjustment	Type	Classification	Code	Account	Value £	Description
1	Unadjusted	Reclassification	ASFA240100	CA: Debtors <1 year: Debtors control account	15,302	Being the reclassification of debit balances within Trade Creditors to Trade Debtors
1	Unadjusted	Reclassification	ASFA310100	Creditors Control Account	(15,302)	
2	Adjusted	Misstatement (factual)	ABAESFA001 - 820	Other amounts owed to ESFA < 1 year	(10,418)	Being the amounts previously recognised as capital grants which are actually an ESFA CIF loan. £586k was recognised as capital grants in FY19/20, however, £94k of this related to the ESFA CIF loan (rather than capital grants) – the loan must be recognised in the current year and the fixed asset fund reduced.
2	Adjusted	Misstatement (factual)	ABAESFA004 - 925	Other amounts owed to ESFA > 1 year	(83,404)	
2	Adjusted	Misstatement (factual)	ABAOB012 - 450	DfE or ESFA capital grants fund	93,822	

Communication of audit matters to those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing, materiality and expected general content of communications including significant risks and key audit matters	●	
Confirmation of independence and objectivity	●	●
Significant matters in relation to going concern (if any)		●
Views about significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures (if any)		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit (if any)		●
Unadjusted accounting misstatements and material financial statement disclosure omissions		●
Expected modifications to the auditor's report, or the regularity report or emphasis of matter (if any)		●

ISA (UK) 260, as well as other ISAs (UK), prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while the Audit Findings presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Financial reporting updates

Important updates

The following financial reporting updates have been issued since we presented our audit plan which will be relevant to you.

A full list of financial reporting updates can be found by clicking the link below:



Keep up to date on the latest news and legislation changes by signing up to receive our alerts and newsletters.



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Our Report is prepared solely for the confidential use of The Liverpool Joint Catholic & Church of England Academies Trust and solely for the purpose of explaining the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not, without our express written permission, be relied upon by The Liverpool Joint Catholic & Church of England Academies Trust for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. RSM UK Audit LLP neither owes nor accepts any duty to any other party who may receive our Report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our Report.

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