

Latchmere Academy Trust

Audit findings report
year ended 31 August 2022

29 November 2022



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Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of Latchmere Academy Trust in respect of the year ended 31 August 2022.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Finance and Resources Committee 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 financial statements in line with the agreed timetable.

Outstanding items to be resolved:

- At the date of issuing this draft report a few documents for our samples are yet to be received.
- Update of post balance sheet events and going concern review through to sign off

Risks and approach

We have carried out testing as planned on the risks identified during planning and have no matters to draw to your attention.

Final materiality

Materiality was determined based on a percentage of expenditure for the year and based on the draft financial statements was determined to be £202,000 with clearly trivial set at £10,100.

Unadjusted audit misstatements

There were no adjusted or unadjusted misstatements noted as part our audit work.

Disclosure misstatements and omissions

There were no significant unadjusted disclosure matters to note. A summary of the disclosure changes are included within the Appendix to this report.

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 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.</p> <p>We will review significant accounting estimates and policies which could involve bias resulting in a material misstatement.</p> <p>We will 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>	<p>We have performed our work as planned and no significant issues were noted as a result of our journals testing.</p> <p>We have reviewed accounting estimates including those in relation to the LGPS pension scheme deficit and did not note any indication of management bias which could result in a material misstatement.</p> <p>No significant or unusual transactions that are outside the academy's normal course of business have been identified.</p> <p>There are no other matters that we would like to bring to your attention in this area.</p>

<p>Pension scheme liability</p>	<p>The difference between the academy trust's defined benefit obligations and scheme assets that is required to be recognised under FRS 102 in respect of the academy trust's share of the Local Government Pension Scheme 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>It is possible that this year the assets might exceed the liabilities in the scheme. Consideration will need to be made as to whether the Trust can recognise this as an asset.</p>	<p>We will review the key data and underlying assumptions used by the actuary to calculate the balance, to ensure that these appear reasonable.</p> <p>We will also review the related disclosure in the financial statements to ensure that this is appropriate.</p> <p>We will consider the scheme rules as to whether it is appropriate for an asset, if there is one, should be recognised.</p>	<p>Both the Latchmere School and Nelson School net liabilities in their respective schemes reduced to a combined liability of £1.028m from £4.801m at the end of the last financial year.</p> <p>We have reviewed the pension disclosure in the financial statements to ensure it is in line with the information provided in the actuary's report.</p> <p>The actuarial assumptions have also been reviewed against other actuarial assumptions from similar organisations particularly that in relation to inflation to ensure they appear reasonable. We have specifically reviewed the assumptions regarding CPI increases in this period of high inflation. The Accounting Standard prescribes quite narrowly how the inflation assumption should be derived from market information at the year-end date.</p> <p>The Actuary comments that the current period of high inflation is somewhat allowed for insofar as it is captured in long-term market expectations as at 31 August 2022. However, as the CARE, deferred pensioner and pensioner obligations in the LGPS are increased each April in line with the previous September's rate of CPI, the expectation is that the high level of inflation will lead to a high Pension Increase Order being applied in April 2023.</p> <p>The Actuary has therefore adjusted the CPI assumption to reflect the likely significant inflationary increase to LGPS benefits in April 2023. Although not yet confirmed by government, the annual increase is due to be based on the level of CPI increases between September 2021 and September 2022, which they have estimated to be 9.9%. As a result, within their standard CPI assumption derivation, they have allowed for a year 1 CPI figure of 9.9%.</p>
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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 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.</p> <p>We will consider whether the forecast position and management's sensitivity analysis including the key underlying assumptions, appear reasonable and whether a material uncertainty exists.</p> <p>We will also 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.</p> <p>We may seek written representations from management about their plans for the future and the feasibility of their plans.</p>	<p>We have reviewed the budgets and forecasts for the period to 31 August 2024 and note that a surplus is forecast for 2022/23 but a deficit for 2023/24 year which can be covered by brought forward reserves. We consider these to be reasonable. We have reviewed the ESFA allocation for 2022/23 and have agreed this to the forecast.</p> <p>On the basis of the above forecasts and reserves in place, management consider that the going concern basis is appropriate and we concur with this assessment.</p>
Regularity – Related party Transaction	<p>Under the Regularity Framework, we are required to express an opinion that income received has been applied for the purposes intended.</p>	<p>We will ensure our detailed programme of testing is tailored to address the key areas identified.</p> <p>We will review the Academy's policies and procedures and perform procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a limited assurance conclusion that the Academy's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the Academy's financial statements are in all material respects regular for the year ended 31 August 2022.</p>	<p>We carried out our planned testing and we have no matters to report to you in respect of our findings.</p>

Recommendations on controls

No issues regarding internal controls 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.

Other matters to be reported

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
Value of the Local Government pension schemes			●
Going concern		●	
Useful economic lives of tangible assets		●	

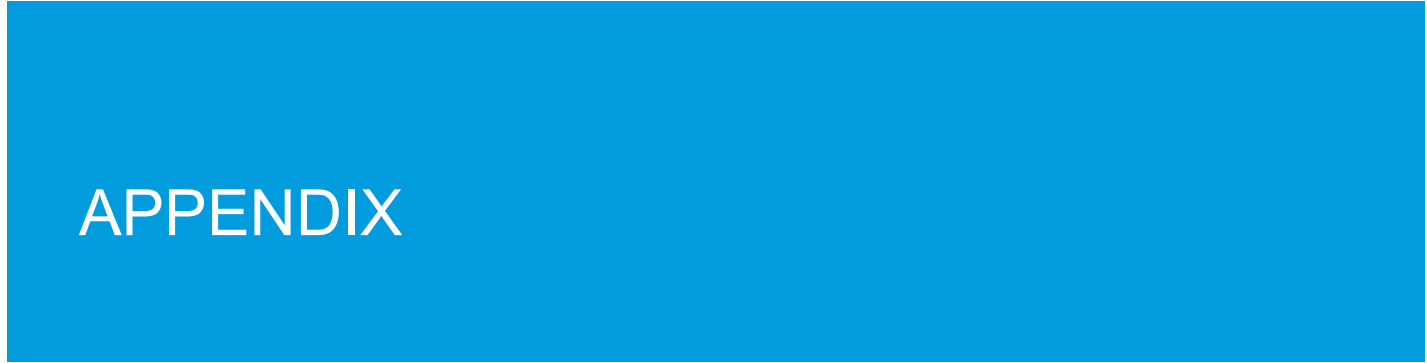
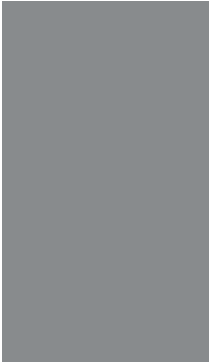
Representations requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we are not proposing that we will be seeking any further specific representations from the Board.

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.
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 Latchmere Academy 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 Latchmere Academy 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.



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 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 statement disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Companies Act 2006, Charities Statement of Recommended Practice 2019 and Academies Accounts Direction 2021 -2022.

The following disclosure matters were brought to your attention and subsequently adjusted/not adjusted in the revised financial statements.

Unadjusted disclosures

There were no significant unadjusted disclosure matters to note

Adjusted disclosures

Update wording for change in the Chair of Trustees post year end.

Financial reporting updates

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



Academies Emerging Issues are circulated as separate documents

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Our Report is prepared solely for the confidential use of Latchmere Academy Trust and solely for the purpose of explaining our audit approach, the findings of the audit, and other reportable matters, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not, without our express written permission, be relied upon by Latchmere Academy 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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