

# Latchmere Academy Trust

Audit findings report  
year ended 31 August 2021

30 November 2021



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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 and 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 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 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*

## 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 – Related party breach

## Final materiality

Materiality was determined based on a percentage of expenditure for the year. Changes were made to the materiality in our planning document to reflect final year end results. As a result, materiality has decreased from £200,000 to £198,000.

## 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 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>
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 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 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 to ensure they appear reasonable.</p> <p>We have nothing to report on these matters.</p>

<p>Going concern</p>	<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 <a href="#">here</a>.</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.</p> <p>Further details of the changes to the standard can be found <a href="#">here</a>.</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 2023 and note that a surplus is forecast for both the 2021/22 and 2022/23 year and consider these to be reasonable. We have reviewed the ESFA allocation for 2021/22 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>
<p>Regularity - Related party Transaction</p>	<p>Management have advised us of an Academy Financial Handbook breach in relation to related party transactions.</p> <p>Transactions occurred between a Trustee and a related company during 2019/20 and 2020/21. The transactions were not at cost nor were the ESFA notified in advance of the transactions.</p>	<p>We are aware that management have made a retrospective notification and we will review the latest correspondence from the ESFA regarding any potential ramifications.</p> <p>We will consider the impact and disclosure of this breach within our regularity report.</p>	<p>We carried out our planned testing and confirmed that the ESFA have been notified of the breach.</p> <p>As this is a breach of the Academy Financial Handbook, our regularity report has been modified to include the following statement;</p> <p><i>As noted in the Statement of Regularity, Priorty and Compliance, the Academy Trust entered into related party transactions which were not reported to the ESFA in advance of the contract commencing, nor were the transactions carried out at cost. The total cost of the transactions during the period were £13,343.</i></p> <p>In addition to the above, the Accounting Officer statement and the related party note have been updated to include details of the transaction.</p>

# Risks identified during the audit

Risk	Description	Response	Findings
Income – CIF Funding	Prior to the year end, the academy trust was notified that they had been successful in two CIF applications that they applied for.	Under section 3.1 of the Academy Accounts Direction, income should be recognised in line with the SORP when all of the following three criteria have been met – Entitlement, probable and measurable.	<p>Following discussions with management and review of the supporting documentation available, it would appear that whilst the academy trust was notified of the entitlement to CIF funding, they were not made aware of the amounts involved until after the year end.</p> <p>As such, as at 31 August 2021, it would appear that not all 3 requirements of the SORP had been met and therefore no income has been accrued for in relation to the CIF funding.</p>

# 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



- Register of Interests

### Recommendations

- Whilst we note that a central register of Trustees interests is maintained, we note that this does not include senior employees. Although all staff are requested to complete a register of interest form, these are not always returned. We recommend that a central register of interests is maintained which also includes senior employees, potentially the SMT, to aid in the identification of future potential related party transactions.

### Management Response

- The existing central register of interests will be extended to include senior employees. The trust must publish on its website relevant business and pecuniary interests of the accounting officer, an employee, but has discretion over the publication of those of other employees. Trustees will therefore consult with relevant staff members in this respect.

### Assessment

- Significant control recommendation
- Other control recommendations

# 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.

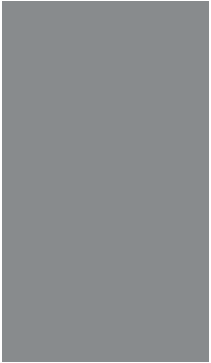
Estimates	Low impact		High impact
Going Concern / Covid-19		●	
Defined benefit pension scheme assumptions		●	



# Update on matters communicated at the planning stage

Matter communicated	Update
<b>Fees</b>	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
<b>Independence</b>	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 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 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 SORP and Academies Accounts Direction 2020 -2021.

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

The related party note has been updated to include details of the transaction with Tradewind Recruitment Limited for the year and comparative year.

The Accounting Officer statement on Regularity, Propriety and Compliance has been updated to include details of the transactions with Tradewind Recruitment for the year.

As Anna Steels was not appointed Accounting Officer (Trustee) until 1 November 2020, the Trustee' remuneration note has been updated to remove her salary and pension for September and October 2020.

## 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:



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Our Report is prepared solely for the confidential use of Latchmere Academy 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 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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