



# St Cuthbert's Roman Catholic Academy Trust

## Final Audit Findings Report for the year ended 31 August 2020

28 January 2021

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# Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of St Cuthbert's Roman Catholic Academy Trust and St Mary's College Sports Development Company and the regularity reporting in respect of the year ended 31 August 2020.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Audit 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 unmodified audit opinions on the group and subsidiary financial statements and an unmodified regularity conclusion.

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

## Outstanding items to be resolved:

- Matters connected with our review of post balance sheet events;
- Final review of the Financial Statements.

## Risks and approach

We have carried out testing as planned on the risks identified during planning and can confirm these have been satisfactorily addressed.

## Final Materiality

Materiality of £522,000 was determined based on 2% of total expenditure for the year.

## Unadjusted audit differences

We have not identified any unadjusted audit differences in excess of our clearly trivial threshold. The clearly trivial threshold was determined to be £26,000.

## Risks identified at the planning stage

Risk	Description	Response	Findings
Management override of controls	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 have tested 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 have reviewed significant accounting estimates and policies which could involve bias resulting in a material misstatement.</p> <p>We have discussed 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 a review of a sample of journal entries recorded and or all items selected the appropriate justification/documentation was available with no issues identified.</p> <p>No significant non-routine or potentially contentious transactions were identified during the course of our audit work.</p> <p>Accounting estimates have been reviewed when considering relevant financial statement balances. For the items selected, we have considered the effect of the estimate, as well as obtaining justification for the estimate being applied.</p> <p>No evidence of management override or bias was noted in respect of these estimates.</p> <p>No evidence of manual override of controls has been identified.</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 have reviewed the key data and underlying assumptions used by the actuary to calculate the balance, to ensure that these appear reasonable.</p> <p>We have also reviewed the related disclosure in the financial statements to ensure that this is appropriate.</p>	<p>We have reviewed the valuation report received in respect of the pension scheme liability.</p> <p>The Academy has adopted standard assumptions which we have reviewed for reasonableness against market data and benchmarked against other pension schemes in the sector and found no issues to report.</p> <p>We confirm that the accounting treatment adopted and the disclosures made by the Academy are appropriate.</p>

Risk	Description	Response	Findings
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>Covid-19 (Coronavirus) is having an impact on the Trust operations and the wider economy. This is expected to impact accounting estimates and judgements in the financial statements, in addition to the associated disclosures in the financial statements and accompanying documents, critical accounting estimates and judgements in the notes to the accounts and the subsequent event disclosures. Given the unpredictable nature and impact of the outbreak and how rapidly responses are changing, particular attention will need to be given with regards to the basis of accounting and its related disclosures.</p>	<p>We have reviewed the financial plans, budgets, forecasts and sensitivity analysis prepared on behalf of the Trustees to support the going concern assumption. We have considered whether the forecast position, including the key underlying assumptions appear reasonable and whether any material uncertainties exist. We have also considered whether the related disclosure in the financial statements is clear and appropriate.</p> <p>We are discussing the implications of the Coronavirus outbreak for the audit timetable with management as the advice from Government is received.</p> <p>As part of our audit we have considered management's analysis of the potential impact of the Coronavirus outbreak on the Trust. We have obtained supporting evidence provided by management for their assumptions, and related disclosures, and challenge where necessary.</p> <p>We have ensured there is sufficiency of related disclosures in the financial statements, depending on the degree of sensitivity to changes in assumptions and whether there is a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. We have also ensured consistency, adequacy, and specificity of disclosures in the financial statements.</p>	<p>Based on the cashflow forecasts to January 2022 the Trustees have concluded that the Academy is a going concern and they have sufficient funds to meet their liabilities as they fall due for a period of not less than twelve months from the date of approval of the financial statements.</p> <p>Management are assessing the implications of pupil numbers and the wider ongoing impact of the COVID-19 pandemic on financial forecasts and will amend these as necessary to enable them to reaffirm their conclusions on going concern basis of preparation of the financial statements prior to sign off.</p> <p>From our initial work, we conclude appropriate disclosures regarding the adoption of the going concern basis of accounting, have been made in the Academy's financial statements.</p> <p>Disclosures regarding the impact of COVID-19 on the going concern status of the subsidiary company is yet to be considered by management.</p> <p>Our work has been satisfactorily concluded.</p>

Risk	Description	Response	Findings
Regularity	<p>The Academy Trust is required to comply with the provisions of the funding agreement with the Secretary of State and by virtue of that the Academies Financial Handbook published by the Department for Education (DfE).</p> <p>We are required to give a regularity engagement conclusion as set out in the Academies Accounts Direction 2019 to 2020, of which compliance with the funding agreement and the Financial Handbook inter alia form a part.</p> <p>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 Academy Trust has complied in all material respects with the funding agreement, the Financial Handbook and specific terms and conditions of funding and other framework of authorities.</p>	<p>We have obtained an understanding of the framework of authorities and how the Academy Trust has translated these into controls, policies and procedures. We have assessed the nature, design and effectiveness of this and based on our assessment of risks of material irregularities and non-compliance will undertake testing of controls and detailed testing of financial transactions. We have also undertaken procedures on areas that we consider represent greater risk, by virtue of their nature, of impropriety of financial transactions.</p> <p>We have planned our work in order to assess whether 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.</p> <p>We assessed the change in the regularity framework and the requirement for auditors to assess regularity and the Trust's response to Cabinet Office PPN 02/20 and Covid-19 reliefs claimed.</p>	<p>Other than the matter noted below (which does not affect our regularity conclusion) no issues have come to our attention during our regularity review.</p> <p>We have reviewed the process of claims in respect of the Government furlough scheme and Coronavirus exceptional support grants including Trustee oversight. Our review has not identified any instances of non-compliance.</p> <p>We have reviewed the payment made on termination of employment and our review has not identified any material instances of non-compliance in respect of the Academies Financial Handbook. We note that this matter was managed internally by the Trusts own HR specialist and that external legal advice was not taken in respect of the payment of £27,601. We have considered management's justification for the quantum of this non contractual payment and conclude that the trust can demonstrate a justified business case and value for money. Retrospective external legal advice has now been obtained which demonstrated that conclusions drawn by the Trust in respect of value for money were appropriate.</p> <p>We recommend that in all future settlements external legal advice is sought and there is full board oversight prior to entering such transactions.</p>

## Risks identified during the audit

There were no further significant risks identified during the audit of the Academy that we consider should be brought to the attention of those charged with governance.



# 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

### Journals

We have noted that whilst journals are reviewed as part of the monthly management accounts process these reviews are not formally authorised therefore a sufficient audit trail is not maintained.

This could result in financial inaccuracies in the monthly management accounts.

### Recommendations

- We recommend that when reviews of management accounts are carried out evidence of review of journal entries is formally documented.

### Management Response

- Monthly sign off procedure has been in place since September 2020.

### Income

St Marys College Sports Development Company does not retain gym membership forms.

### Recommendations

- We recommend that the Trust retains copies of the gym membership registrations.

### Management Response

- Electronic document storage system has been set up for gym membership.



## Assessment Issue and risk

### Payroll

- During our payroll testing we noted that information about pay awards made to employees since commencement of employment was not always formally communicated to staff.
- Whilst carrying out testing it was also noted that casual members of staff are not issued with a contract of employment or formal written notification of rates of pay. This matter may expose the Trust to potential employment disputes, overpayments and/or additional liabilities.
- In addition we understand that forms for new starters at the primary schools are not appropriately evidenced as authorised in line with the procedures at St Mary's College.

#### Recommendations

- We recommend that when the Trust notifies employees to changes in their salary, these notifications are retained on the employee's employment file.
- We recommend that the Trust issues contracts of employment to all employees regardless of if they are a casual member of staff.
- We recommend authorisation of new starters is consistent across the Trust.

#### Management Response

- All recommendations are noted and will be implemented with immediate effect.

### Internal scrutiny

At the year end there was no formal log to record follow up actions in respect of the recommendations made in the internal scrutiny reports. This should form part of management reporting presented to the Audit Committee.

#### Recommendations

- We recommend that internal scrutiny recommendations are logged with actions continuously monitored by management. Follow up by the internal scrutineer should be carried out as agreed with the progress made on internal scrutiny actions reported to the Audit Committee as a standing agenda point.

#### Management Response

- Identified and discussed with Directors previously and new format being launched next week at FAA Committee to provide a more dynamic reporting format with rolling actions log and traffic lighting system.

### Assessment

- Significant control recommendation
- Other control recommendations

We are pleased to report the recommendations raised in the prior year audit findings have been actioned during the year.

## Significant qualitative aspects of the entity's accounting policies

The Trustees are required to consider the appropriateness of the accounting policies of the Trust prior to approving the financial statements.

We consider that the accounting policies adopted by the Trust are appropriate for the circumstances for the Trust and consistent with the Academies sector.

## Management judgements and accounting estimates

The following areas are considered to be the principal areas of management judgement or 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.

Judgments and estimates	Low impact	High impact
Impairment of property, plant and equipment		●
Assumptions in respect of the Local Government defined benefit pension scheme		●
Useful economic lives of tangible assets	●	

## Going concern

In preparing the financial statements of the Academy, the Trustees have adopted the Going Concern basis for accounting purposes. In arriving at this conclusion management have considered the Trust's current financial performance and the budget forecast outturn return which covers the period to 31 August 2021, and cashflows which cover the period to 31 January 2022.

Our work in this area has involved:

- Gaining an understanding of the Academy's budgeting/forecasting process and how this is derived.
- Reviewing the detailed forecasts to understand the key financial impacts and the key cashflow commitments.
- Reviewed forecasts against actual performance since the year-end.
- Challenged management around the assumptions made.

When the Trustees approve the 2019/20 financial statements in January 2021, they have responsibility to assess the Trust's ability to continue as a going concern for at least twelve months to January 2022.

It is important in this continued period of economic uncertainty as a result of the ongoing COVID-19 pandemic and continued uncertainty in public spending, that the financial statements contain sufficient disclosure of the risks and uncertainties that may exist.

In particular, the Trustees need to consider that the majority of the Trust's funding is from the Government and there is continued pressure around continued delivery during the COVID-19 pandemic and associated impact on funding and costs. The Trustees have however concluded that the Academy Trust is a going concern.

The Trustees will need to confirm that their assessment of going concern remains valid based on the information available at the date of signing the financial statements.

As auditors, we will revisit our review of the Trust's assessment of going concern basis of accounting prior to concluding our opinion and discuss with management and Trustees any areas of material uncertainty.

## Significant matters discussed, or subject to correspondence with management

We have maintained regular contact with management throughout the audit process and have held various meetings to discuss our findings. Our discussions have principally focused on the following key audit matters:

- The significant risks and key areas of audit focus identified within our Audit Plan document and the adoption of the going concern basis of accounting.

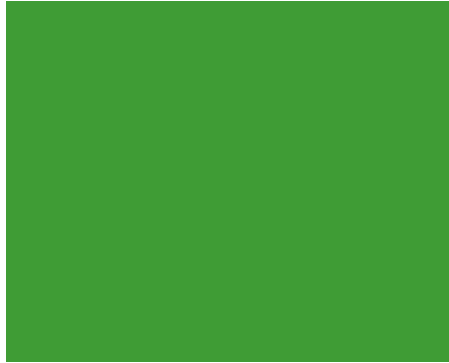
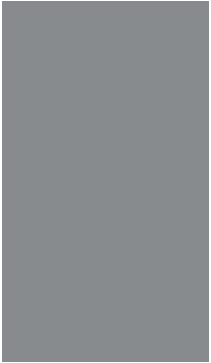
# Representations requested

We will not be seeking any additional representations In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>).

# 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 and its related entities and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP's independence and the objectivity of the audit principal, and the audit staff and the related safeguards from those disclosed in the Audit Plan.

*This report has been prepared for the sole use of St Cuthbert's Roman Catholic 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.*



## Unadjusted statements and disclosures

### Accounting misstatements

A summary of the adjusted and unadjusted errors identified during the course of our work is set out below.

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 £26,000 individually and £26,000 in aggregate.

We advised management of all these misstatements on 11 January 2021 and requested management to correct them.

### St Cuthbert's Roman Catholic Academy Trust

#### Adjusted errors

Adjustment	Account	SOCI DR/(CR) £	Net Assets DR/(CR) £	Description
1	Trade creditors	-	41,729	Being adjustment to disclose amounts due to subsidiary separately from trade creditors
	Amounts due to subsidiary undertaking	-	(41,729)	
2	Land and buildings accumulated depreciation and impairment	-	125,000	Being elimination of H Block
	Fixed asset disposals	-	(125,000)	
		-	-	

#### Unadjusted errors

Adjustment	Account	SOCI DR/(CR) £	Net Assets DR/(CR) £	Description
1	Amounts due from subsidiary undertaking	-	11,245	Being adjustment to disclose amounts due from subsidiary separately from trade debtors
	Trade debtors	-	(11,245)	
		-	-	



## St Mary's College Sports Development Company

## Adjusted errors

<b>Adjustment Account</b>		<b>SOCI DR/(CR) £</b>	<b>Net Assets DR/(CR) £</b>	<b>Description</b>
1	Trade debtors	-	(41,729)	Being adjustment to disclose amounts due to parent separately from
	Amounts due to parent undertaking	-	41,729	trade debtors
		-	-	

## Unadjusted errors

<b>Adjustment Account</b>		<b>SOCI DR/(CR) £</b>	<b>Net Assets DR/(CR) £</b>	<b>Description</b>
1	Trade creditors	-	11,245	Being adjustment to disclose amounts due from parent separately from
	Amounts due from parent undertaking	-	(11,245)	trade creditors
		-	-	

## 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	●	
Matters in relation to the group audit, including scope of work on components and involvement of group auditors in component audits	●	
Confirmation of independence and objectivity	●	●
Significant matters in relation to going concern (if any)		●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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 misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or regularity conclusion or emphasis of matter		●

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. The following disclosure points were noted from our review of the financial statements, which management have subsequently updated for:

- COVID-19 impact, enhancements recommended to the Trustees report.
- Internal Audit, enhancements required to statement of Corporate Governance and Internal control, in respect of the risk and control framework and the review of effectiveness to include
- Internal scrutiny work performed and recommendations made.
- Enhancements to the reserves policy and cash reserves included within the Trustees report.
- Recommendations to enhance s172 disclosures.
- Going concern disclosure required in Trustee report.
- Enhancements to the accounting policy in respect of going concern to include a conclusion.

## 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 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 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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