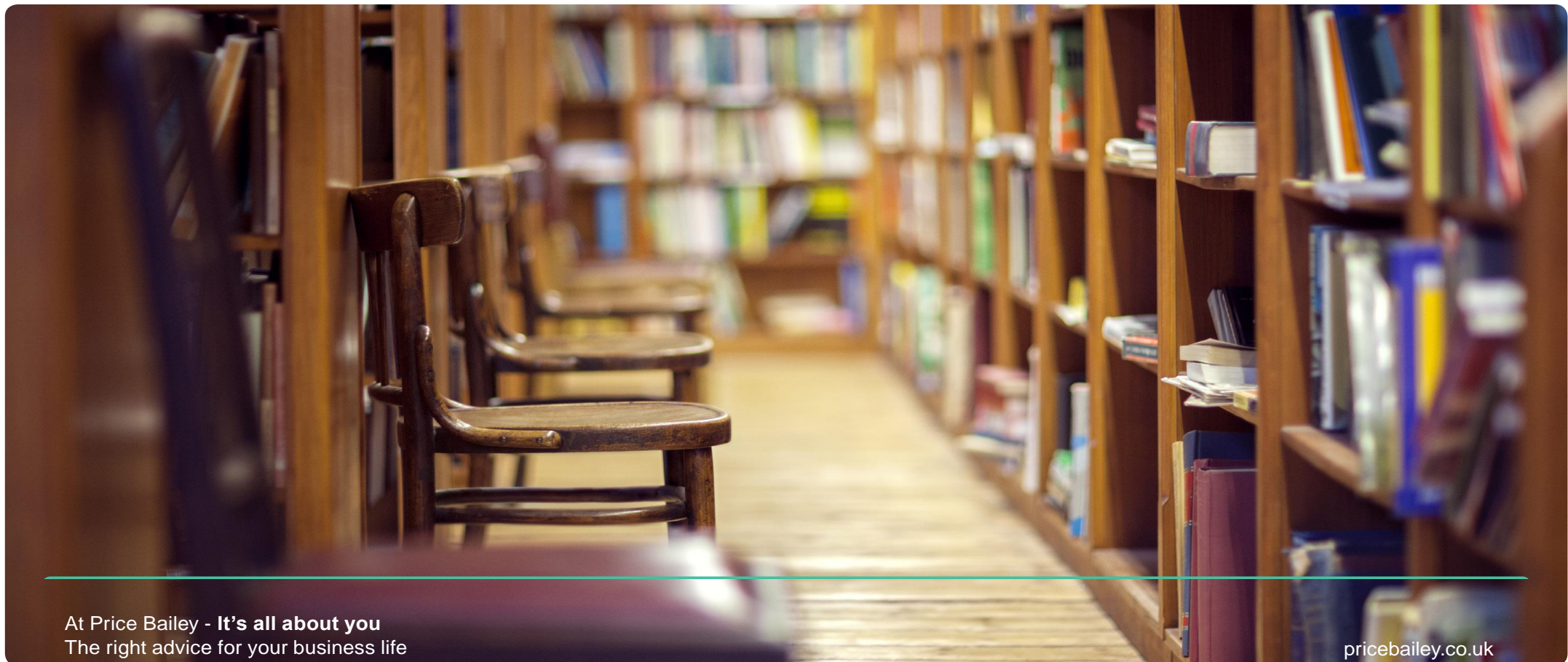


Northgate Primary School Academy Trust

**Audit Findings Report to Trustees following
the audit to 31 August 2018**

November 2018



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Introduction

Introduction and Approach

This Report has been prepared for the Trustees of Northgate Primary School Academy Trust and summarises our key findings in connection with the audit and assurance work carried out for the year ended 31 August 2018. We recognise that a copy of this Report is forwarded to the ESFA but it is not to be disclosed to any other person or organisation without our written permission. For the avoidance of doubt this Report is not to be posted on the Trust's website.

The scope of our work has already been communicated via our Audit Planning Report to the Trustees. The respective roles and responsibilities of both Price Bailey and the Trustees are set out in our agreed terms of engagement.

Our audit and assurance procedures have been designed to enable us to express an opinion on the financial statements in accordance with International Standards on Auditing (UK) and the regular, proper and compliant use of public funds as set out in section 9.3 of the Academies Accounts Direction 2017 to 2018.

We have reviewed our statement relating to independence detailed in the Audit Planning Report issued and can confirm we have remained independent and have appropriate safeguards in place. All staff comply with the Audit Practices Board Ethical Standards and the ICAEW Code of Ethics.

Executive Summary

At the time of issuing this Report we anticipate issuing an unqualified opinion, without modification on the truth and fairness of information presented in the financial statements.

We also report that no matters of irregularity, impropriety or non-compliance by virtue of value or nature underlying the accounts, have come to our attention that would lead to a modified conclusion in our Regularity Assurance Report.



Audit Approach

We adopted a risk based approach to the audit and our Audit Planning Report to the Trustees identified the following key risks to be addressed. Our detailed findings are noted as follows;

Risk Identified	Planned Approach	Findings
Revenue recognition	<p>We will verify all material streams of grant income reported to funding documentation.</p> <p>We will substantively test non grant income using analytical review based on our expectations and test a sample of entries for completeness where necessary.</p> <p>We will review post year income and cash movements to verify the completeness of income.</p>	<p>During the course of our audit work we documented the income systems and carried out procedures to gain assurance over the effectiveness of internal controls in place to prevent loss of income and ensure income is correctly recorded.</p> <p>We carried out work to ensure that the income in the accounts is materially complete and performed cut-off procedures to satisfy that income has been accounted for in the correct period.</p> <p>We have checked the income is appropriately recognised in accordance with the terms of any funding restrictions.</p> <p>We found that not all UIFSM income had been recognised. No other issues to note.</p>
Management override	<p>We will gain an understanding of the systems, controls and procedures operating within the Trust finance function to identify potential areas of management override risk.</p> <p>We will review all journals posted throughout the year with a value greater than performance materiality. Any that have not been covered by our work on year end balances will be scrutinised and corroborated further.</p>	<p>We reviewed a sample of journals posted throughout the year and a sample from those posted at the year-end to assess appropriateness and validity. Explanations were sought for any large or unusual amounts.</p> <p>No issues to note.</p>

Audit Approach continued...

Risk Identified	Planned Approach	Findings
Related parties	<p>We will review procedures and controls surrounding the recording and reporting of related party transactions.</p> <p>We will make enquiries as to the existence of any related parties before reviewing accounting records and other trusteeships to ensure that all related party transactions have been reported in the financial statements.</p>	<p>We reviewed the internal procedures in place for identifying related parties, including the requirement to keep a register of Trustees business interests which is to be updated annually.</p> <p>Our audit work has provided assurance that the related party transactions disclosed in the financial statements are accurate and complete.</p>
Fund Allocation	<p>We need to ensure that the allocation of funds between restricted and unrestricted has been correctly applied and that funds have been used for the purposes intended by the donor.</p>	<p>We examined whether income had been correctly categorised between restricted and unrestricted funds, reviewing any terms and conditions where applicable.</p> <p>We checked that expenditure had been allocated correctly to the corresponding income.</p> <p>No issues to note.</p>
Staff and salary costs	<p>Staff costs are a key area due to the relative value compared to income reported. Our testing will focus on testing of existence of staff and accuracy of expenditure reported.</p>	<p>We reviewed the reconciliations of the payroll records with the disclosures in the financial statements to ensure no indication of material misstatement of wages and salaries.</p> <p>We tested controls over the payroll system to ensure adequate and accurate recording and reporting of payroll information in the financial statements. Our testing included verification of a sample of employees to ensure they exist.</p> <p>No issues to note.</p>

Summary of Income and Expenditure

	Restricted General Funds	Unrestricted Funds	Fixed Asset Fund	Pension Reserve	Total
Incoming Resources	1,638,387	107,144	9,074	-	1,754,605
Resources Expended	(1,634,050)	(149,486)	(2,543)	-	(1,786,079)
LGPS Charge				(168,000)	(168,000)
Depreciation			(94,307)		(94,307)
Employer contributions paid				92,000	92,000
Total Resources Expended	(1,634,050)	(149,486)	(96,850)	(76,000)	(1,956,386)
Assets Purchased from GAG	1,184	(1,184)	-	-	-
Actuarial Gains				125,000	125,000
Surplus / (Deficit) for the year	5,521	(43,526)	(87,776)	49,000	(76,781)
Balance at 1 September 2017	2,259	111,224	3,994,641	(429,000)	3,679,124
Balance at 31 August 2018	7,780	67,698	3,906,865	(380,000)	3,602,343

We believe this simple schedule gives a useful overview of how the trust has spent its money this year.

Restricted General Funds

In the most simple terms the Trust spent 99.7% of its income during the year, leaving £7,780 to carry forward. Transfers included an overspent on Pupil Premium in the year.

Unrestricted Funds

Unrestricted income generated in the year amounted to £107,144 and expenditure was £149,486, £1,184 was transferred in relation to Pupil premium overspend. An in year deficit of £43,526, leaving unrestricted funds carried forward of £67,698.

Fixed Asset Fund

Capital grants of £9,074 were received in the year. All of this was spent on projects. Depreciation of fixed assets amounted to £94,307. Total restricted fixed asset funds carried forward were £3,906,865.

Pension Reserve

£76,000 was paid into the LGPS during the year. The actuarial valuation decreased the deficit to a carry forward of £380,000.

Summary of adjustments

Nature of Adjustment	Adjusted Items		Unadjusted Items (Factual)		Unadjusted Items (Judgemental)	
	Increase/ (decrease) in Revenue funds	Increase/ (decrease) in Non Revenue funds	Increase/ (decrease) in Revenue funds	Increase/ (decrease) in Non Revenue funds	Increase/ (decrease) in Revenue funds	Increase/ (decrease) in Non Revenue funds
Being additional UIFSM income.	1,189					
Being pension movement in the year		49,000				
Sub Total	1,189	49,000	-	-	-	-

Our Findings

Deficiencies to be brought to the attention of the Trustees

We are required to report to you in writing, significant deficiencies in the Trust's internal control environment that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to be reported to you. Our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. 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. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

As required by the Academies Accounts Direction 2017 to 2018, all findings have been given a priority rating based on their importance as follows:



The Trustees must ensure this recommendation is addressed as a matter of priority.



Internal controls should be strengthened to enhance operational efficiency but action is not time critical.



Internal controls could be strengthened but there is little risk of material loss. This may be a point for future consideration as risks faced by the Trust evolve over time.





This point is either for information only or relates to a recommendation made last year where action has been taken and is no longer of concern.


Points raised in the 2017 management letter

Acting on audit findings – Lord Agnew’s letter to Academy Trust Auditors

The audit process can support Trusts by helping identify key areas that may require improvement. The Board of Trustees must ensure there is an appropriate, reasonable and timely response by the Trust to any findings by Auditors, taking opportunities to strengthen the Trust’s systems of financial management and control. So the ESFA can monitor this they have added an additional step into the annual Academies Accounts Return. Trusts will be asked to provide the number of issues raised in this management letter, those which have been assigned the highest priority (red) and if there are any unresolved high priority issues from the previous years audit. This is required to be confirmed by the Auditors at the approval stage.

2017 Findings	2017 Priority	Recommendation	2018 Position	2018 Priority
Upon review of committee meeting minutes there was one meeting which had no official minutes kept on file.		The omission occurred when the official clerk was unable to attend the meeting and a member of the committee was left with the responsibility, controls should be put in place to ensure that this does not impact on the recording of official documentation.	All records obtained for the current financial year.	

Matters arising from our regularity assurance work

Price Bailey Findings	Priority	Recommendation	Academy Comments
Companies house was not updated with resigned Trustees.		Ensure companies house is updated within 14 days of any Trustee amendments.	Will ensure this updated on timely basis going forward.

General observations and advisory points

Advisory point	Recommendation
<p>From 1 September 2018 the Trust must prepare management accounts every month setting out its financial performance and position, comprising budget variance reports and cash flow forecasts with sufficient information to manage cash, debtors and creditors. Management accounts must be shared with the Chair of Trustees every month irrespective of the size of the Trust, and with the other Trustees six time a year.</p>	<p>Trustees to ensure that they are receiving financial management reports as required and that proper rigour and scrutiny is being applied.</p>
<p>During our work on the Teachers' Pension Scheme End of Year Certificate, we noted a number of instances across our Academy clients where the teachers' reports on the employer portal showed incomplete or inaccurate information. Specifically we noted various instances of teachers' service status being noted as opted out when they were contributing to the scheme, and instances of the service status being noted as active when they were not contributing. Based on discussions we've had we understand this may be due in part to the new Monthly Data Collection (MDC) system currently being rolled out across all schools, and in some instances these records have been updated already.</p>	<p>We would recommend informing teachers to check their records to ensure the system correctly reflects their service status, and we would also recommend periodic spot checks of the reports on the employer portal to ensure that the Academy is meeting its own obligations to pay across contributions.</p>
<p>During our work on Related Party Transactions it was noted that two members were yet to complete their Business interest forms for 2019 year end.</p>	<p>Although this is not an issue as yet it is advised this is completed as soon as possible to ensure Related Parties (if any) are identified.</p>
<p>It has been noted during our audit work that funds have been spent on alcohol during the year. As per AAD 17/18 paragraph 9-1-22, released in May 2018, this would be deemed irregular expenditure not for the purpose of the income intended.</p>	<p>Review staff gifts policy and ensure any gifts are deemed appropriate and not contentious.</p>

Emerging Issues

Academies Financial Handbook 2018

The year to 31 August 2018 has been regulated by the 2017 Handbook. The 2018 edition came into force from 1 September 2018 and is one of the key governing documents for all academy trusts to follow. The main changes include:

- Greater emphasis on Trustees applying high standards of governance and taking full ownership of their duties.
- Emphasis that the Chair of Trustees is responsible for ensuring the effective functioning of the Board and setting professional standards of governance. ESFA will help Chairs and their Boards to do this if required.
- Focussing on the importance of acting on audit advice.
- Setting clearer requirements for budgeting. The Board must ensure that the budget forecasts submitted to the ESFA are complied accurately and based on realistic assumptions.

- Confirmation that trusts **must** prepare management accounts every month setting out its financial performance and position.
- Explaining reporting requirements around the frequency of Board meetings. Board meetings **must** take place at least three times a year. Larger trusts should consider meeting more frequently. If the Board meets less than six times a year it must describe in its governance statement, accompanying its annual accounts next year, how it maintained effective oversight of funds with fewer meetings.
- Strengthening expectations about the process for setting executive pay, making it much clearer that Trusts' approach must be transparent, proportionate and justifiable. The ESFA are writing to Trusts to challenge high pay in particular those paid a salary over £150,000 or paying two or more salaries over £100,000.
- Updating the schedule of 'musts', including the top 10 'musts' for Chairs and other Trustees.



Academies financial handbook 2018

For academy trustees, members, accounting officers, chief financial officers and auditors

Effective from 1 September 2018

June 2018

Emerging Issues

3 year forecasts – a further look into the future

As financial pressures continue to increase on the education sector, financial planning and forecasting is vital. Each year Trusts will be asked to provide a forecast of three years as part of the budget forecast return submitted to the ESFA each July.

The introduction of the 3 year forecast is to promote financial forecasting as good practice across all Trusts, emphasise the importance of financial forecasting in helping to keep a Trust's financial position healthy and well planned and underpin the ESFA wider strategy to help schools make the best use of their resources.

Budgets submitted to the ESFA (including the 3 year forecast) **must** be approved by the Trustees before submission.

Approval for related party transactions

The ESFA are introducing more robust arrangements to ensure that transactions with related parties remain transparent, receive sufficient oversight and are well managed. From 1 April 2019 Trusts will be required to declare all related party transactions to the ESFA in advance and also seek ESFA approval for those that exceed £20,000 either individually or cumulatively in any one academic year.

Financial returns

The ESFA are continuing to take a firmer stance on submission of returns. If the trust is late in submitting two or more returns in any year then the trust will be named in the ESFA published report on submissions. The returns that will be in scope from 2018/19 are the land and buildings collection tool (due 5 November 2018), financial statements (due 31 December 2018), accounts return (due 21 January 2019), budget forecast return outturn (due 21 May 2019) and budget forecast return (due 30 July 2019).

Reporting on the number of new apprentices

As of next year, Academy Trusts with 250 or more staff, in addition to a gender pay gap report, will be required to report the number of people they employed as new apprentices between April 2018 and March 2019. (This is in addition to gender pay gap reporting).

The public sector apprenticeship target regulations require public bodies to aim to employ at least 2.3% of their headcount in England as new apprentices between April 2017 and March 2021.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/680544/Meeting_the_Public_Sector_Apprenticeship_Target.pdf

Emerging Issues

Making Tax Digital (MTD)

HMRC's Making Tax Digital will affect VAT registered Trusts from next year with taxable supplies over £85,000. It is important that these Trusts, especially their finance department, start planning for this now. Guidance issued by HMRC confirms that MTD for VAT will come into effect on 1 April 2019.

What does this mean?

- Affected Trusts will have to submit their VAT return data to HMRC digitally using compatible software.
- Affected Trusts will have to keep all VAT records in a digital format.

MTD will be available on a voluntary basis.

Any Trusts who currently submit VAT126 forms will not be affected.

If you are unsure as to whether your Trust is affected by this then please speak to a member of the Academies Team at Price Bailey.

TPS contribution rate from 2019

A rise in the Teachers' Pension Scheme (TPS) employer contribution rate is predicted with effect from April 2019. Currently trusts pay TPS employer contributions at a rate of 16.48%. It has been reported that the Government has agreed to cover any potential increased employer costs for the 2019-20 year but there is no guarantee of funding after that. This agreement has yet to be formally published by the Government. Any increase in employer pension costs not funded by the Government will increase pressure on trusts and leaders who are already making cuts.

National deal for agency supply teachers

In August 2018, the DfE launched a new national deal for agency supply teachers to help schools to get value for money when hiring agency workers. All academies should have received an email from the DfE with an agency selection tool attached. The tool lets you find and compare agencies on the deal in your area.

<https://www.gov.uk/guidance/deal-for-schools-hiring-supply-teachers-and-agency-workers>

Teacher pay rises

In July the Government confirmed teacher pay arrangements from September 2018. The following pay rises were announced: 3.5% for teachers on the main pay range, 2% for teachers on upper pay range and 1.5% for those in leadership positions. Trusts will continue to determine how their staff are paid but the increases stated above will be funded by the Government with a new teachers' pay grant. Further guidance and grant allocations was published on 24th October 2018.

Emerging Issues

Annual Allowance (AA) Pension Charge

HMRC places a limit on the amount of pension savings you can build up in a tax year across all pensions before you are required to pay a tax charge, known as the Annual Allowance (AA) charge.

This Pension Savings Statement you should have received will help you assess whether your pension savings in the Teachers Pension Scheme (TPS) have exceeded the AA and the amount of any available “carry forward” you may have from the previous three tax years. You are able to “carry forward” unused allowance from the three previous tax years to help reduce the pension savings on which you may need to pay an AA charge for the 2017/18 tax year.

Please note your savings statement doesn't include any savings you may be making into other pension arrangements e.g. AVCs.

From the 2016/17 tax year onwards individual who are deemed as high-income individuals are subject to a reduced (tapered) Annual Allowance.

Please note the TPS will not know whether you are affected by the taper, this is something only you can determine.

The TPS will assume your AA is £40,000 but it could be less if you have a tapered AA.

The TPS do not offer financial or tax advice.

Errors or failure to inform HMRC of AA breaches can prove expensive and you may lose the ability for the scheme to pay any applicable AA tax charges. Not electing for scheme pays could result in large tax payments you will have to fund from personal wealth.

Integrated Curriculum and Financial Planning (ICFP)

In a recent letter addressed to auditors, Lord Agnew, made clear that he believed many Trusts could benefit from greater use of ICFP.

We have already carried out a number of reviews for Trusts which have raised some consistent findings.

KPI's can be fundamentally linked to each school improvement priority which will be affected by both progress related and financial related measures of success. Trusts are therefore being encouraged to develop personalised data dashboards which set out both financial and educational performance measures which help clarify how budgetary constraints affect the capacity for the school improvement. These can also help sharpen focus on acute areas of need and justify strategic decisions that may otherwise prove unpopular.

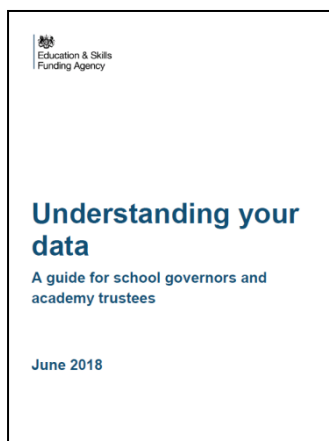
Price Bailey can assist in this process if required.

Emerging Issues

A guide for trustees/governors: understanding your data

The ESFA has released a guide for academy Trustees and Governors. The guide emphasises that access to high quality data is the hallmark of any successful organisation. It states that it is not about collecting more information but about collecting the right information, understanding it, discussing it and using it to inform your actions.

<https://www.gov.uk/government/publications/understanding-your-data-a-guide-for-school-governors-and-academy-trustees>



Reducing fraud

The ESFA have released a guide to reducing fraud. This information is to help academy trusts manage the risk of fraud and should be considered by Trustees. There are two useful checklists relating to cyber security and anti-fraud.

<https://www.gov.uk/guidance/academies-guide-to-reducing-any-risk-of-financial-irregularities>

Financial Benchmarking

Trusts are encouraged to utilise the ESFA schools financial benchmarking service to compare their schools with other similar schools and consider whether spending could be more efficient. This can help with better budgeting and allow trusts to consider how to use their resources to support high-quality teaching and the best education outcomes for their pupils.

<https://www.gov.uk/guidance/schools-financial-efficiency-financial-benchmarking>



School resource management: top 10 planning checks for trustees/governors

Trustees/Governors at schools and academies can use this information as a starting point to check if their school is managing resources and finances effectively.

The ESFA recommend using these checks early in the annual budget planning cycle and when looking ahead at the 3 to 5 year position.

<https://www.gov.uk/guidance/school-resource-management-top-10-planning-checks-for-governors>

Key Dates 2018-19

 Education & Skills Funding Agency		Academies planning calendar A summary of key dates and actions relating to academy funding, finance and trust compliance with their funding agreement.		 Department for Education	
September 2018		October 2018		November 2018	
Information <ul style="list-style-type: none"> Academies Financial Handbook 2018 comes into effect Condition Data Collection programme site visits commence (ongoing until autumn 2019) 		Trust action <ul style="list-style-type: none"> Complete autumn school census Academies must publicly consult by 31 January 2019 on proposed changes to admission arrangements for entry in September 2020, or if they have not consulted in the past 7 years Information and published guidance <ul style="list-style-type: none"> ESFA issues guidance on the 2017 to 2018 academies accounts return by 1 October ESFA issues guidance on the Condition Improvement Fund (CIF) 2018 to 2019 ESFA issues PE and sport premium conditions of grant and allocations for 2018 to 2019 academic year Payment <ul style="list-style-type: none"> ESFA makes the second quarterly pupil premium payment for the 2018 to 2019 financial year 		Trust action <ul style="list-style-type: none"> Deadline for new CIF 2018 to 2019 applicants to register on the online portal Complete land and buildings collection tool (LBCT) by 5 November 2018 	
January 2019		February 2019		March 2019	
Trust action <ul style="list-style-type: none"> Complete spring school census Trusts submit their 2017 to 2018 accounts return by 22 January Trusts publish their 2017 to 2018 audited financial statements on their website by 31 January Payment <ul style="list-style-type: none"> ESFA makes the third quarterly pupil premium payment for the 2018 to 2019 financial year 		Trust action <ul style="list-style-type: none"> Academies must determine their admission arrangements for entry in September 2020 by 28 Feb Academies must publish their admissions appeals timetable for 2019 on their website by 28 February Information and published guidance <ul style="list-style-type: none"> ESFA confirms exceptional 2018 to 2019 post-16 in-year growth outcomes, and where academies receive growth as a result of a Letter of Comfort ESFA issues guidance on 2019 to 2020 funding allocations for open academies ESFA issues guidance on the 2017 to 2018 academies budget forecast return (BFRO) ESFA issues Year 7 catch-up premium conditions of grant and allocations for 2018 to 2019 financial year 		Trust action <ul style="list-style-type: none"> Academies must publish their admission arrangements for entry in September 2020 on their website and send a copy to their local authority by 15 March Information and published guidance <ul style="list-style-type: none"> ESFA issues academy revenue funding allocations for 2019 to 2020 by 31 March ESFA issues 16 to 19 allocations, including student support (16 to 19 Bursary Fund and free meals in further education where applicable) ESFA publishes 16 to 19 student support eligibility and operational guidance ESFA publishes CIF outcomes 	
May 2019		June 2019		July 2019	
Trust action <ul style="list-style-type: none"> Complete summer school census Trusts submit their 2018 to 2019 budget forecast return: outturn (BFRO) by 18 May Trusts must submit their audited financial statements to Companies House within 9 months of the end of the accounting period which is 31 May Published guidance <ul style="list-style-type: none"> ESFA issues the 2018 to 2019 academies accounts direction ESFA issues guidance on the 2018 to 2019 budget forecast return (BFR) 		Published guidance <ul style="list-style-type: none"> DfE publishes academies sector annual report and accounts (SARA) ESFA issues guidance on the 2018 to 2019 academies budget forecast return (BFR) ESFA issues the 2019 Academies Financial Handbook Payment <ul style="list-style-type: none"> ESFA makes final payment for universal infant free school meals (UIFSM) for 2018 to 2019 academic year 		Trust action <ul style="list-style-type: none"> Trusts submit their 2018 to 2019 budget forecast return (BFR) by 27 July Published guidance <ul style="list-style-type: none"> ESFA refreshes the 16 to 19 interactive census tool on GOV.UK ESFA publishes the 16 to 19 sub-contracting controls guidance for 2018 to 2019 Payment <ul style="list-style-type: none"> ESFA makes the first quarterly pupil premium payment for the 2019 to 2020 financial year 	
				August 2019	
				Trust action: <ul style="list-style-type: none"> Trusts submit their 2017 to 2018 audited financial statements, auditor's management letter and accounts submission coversheet by 31 December Deadline for bids for CIF 2018 to 2019 Announcement <ul style="list-style-type: none"> DfE announces schools revenue funding settlement for the next financial/academic year (2019 to 2020) 	
				April 2019	
				Information and published guidance <ul style="list-style-type: none"> ESFA makes live the form for trusts to claim national non-domestic rates (NNDR) for the 2019 to 2020 financial year ESFA publishes 16 to 19 funding regulations guidance and 16 to 19 funding rates and formula guidance for 2018 to 2019 Payment <ul style="list-style-type: none"> ESFA makes the final quarterly pupil premium payment for the 2018 to 2019 financial year 	

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