



Sir Robert Pattinson Academy

Report to Governors Audit for the Year Ended 31 August 2020

This report was discussed with the governors at their meeting on 11 January 2021. Comments from the meeting have been included in italics.



Sir Robert Pattinson Academy Report to Governors

Contents	Page
1 Introduction	2
2 Summary	3
3 Key Accounts and Audit Issues	6
4 Taxation	13
5 Post Management Accounts Adjustments	14
6 Unadjusted Items	15
7 Systems and Controls	15

Sir Robert Pattinson Academy

Report to Governors

1 Introduction

Streets is a top 40 firm of Chartered Accountants, looking after clients across the education sector including Academies, Free Schools and University Technical Colleges, throughout the East Midlands, East of England, South and East Yorkshire, London and the South East. Further information on our work with Academies and schools is included on our website.

Streets Chartered Accountants has offices in Bedford (Wyboston Lakes), Brighton and Hove, Cambridge, Grantham & Newark (Long Bennington), Hull, Lincoln, London, Manchester, Newmarket, Northampton & Kettering, Peterborough, Sheffield and Stevenage.

Streets Audit LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details of our registration can be viewed at www.auditregister.org.uk and www.cro.ie/auditors for Ireland, under reference number C001217999.

Sir Robert Pattinson Academy

Report to Governors

2 Summary

2.1 Communications Required by Auditing Standards

We have audited the statutory accounts of the Academy for the year ended 31 August 2020 in accordance with the terms of our engagement letter. We draw your attention to the following points, as required by auditing standards.

- a) Qualitative aspects of the academy's accounting practices and financial reporting

We have no comments to make concerning the qualitative aspects of the academy's accounting practices and financial reporting.

- b) Unadjusted misstatements

Section 6 of this report documents potential misstatements identified during the course of the audit. We would welcome your confirmation that you do not wish to adjust the financial statements for these items, together with your reasoning.

We also include in section 5 of this report any adjustments made to the financial statements during the course of the audit. We would welcome your confirmation to these adjustments being made.

- c) Material weaknesses in the accounting and internal control systems

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts. Section 7 of this report contains details of areas which were identified during the course of the audit and our recommendations. It is not intended to be a full list of all potential weaknesses that may be present in your systems.

- d) Letters of representation

Appendix 1 and 2 to this report contains our proposed letters of representation which we will request from you prior to issuing the final accounts. We would be grateful if you could review these letters and let us know if there are any areas you wish to query.

Sir Robert Pattinson Academy Report to Governors

We will require the letters of representation to be signed by all of the governors (who are directors for the purposes of the Companies Act). Alternatively, we will require a copy of the board minute which documents the governors' consideration and acceptance of their contents.

e) Expected modifications to the auditor's report

Subject to receiving all the remaining confirmations, we do not propose to modify the audit report.

f) Other matters required by Auditing Standards to be communicated

There are no other matters that we are required by auditing standards to communicate to you.

g) Other relevant matters relating to the audit

We have discussed with you the fact that we provide accounting services to the academy in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services does not affect our independence as the additional services are of a compliance nature and management takes any decisions where judgement is required.

2.2 Outstanding Matters

We draw your attention to the following information which is outstanding. We will be unable to issue final financial statements until we have received / undertaken the following items which are discussed further in this report:

1. Resolution of the points raised in this report.
2. Successful completion of Post Balance Sheet Events work – a review of the latest management accounts and follow up review of after date invoices.
3. Signed letters of representation.

Sir Robert Pattinson Academy Report to Governors

2.3 Conduct of the Audit

We would like to take this opportunity to thank the accounting staff for their help, assistance and timely provision of information during the audit, which was gratefully appreciated.

2.4 Purposes of the Report

Please note that this report has been prepared for the sole use of the Academy. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. No responsibility is assumed by us to any other person.

Sir Robert Pattinson Academy Report to Governors

3 Key Accounts and Audit Issues

This section includes a discussion of the key areas of the financial statements and details the key issues that arose during our Financial Statement audit and Regularity Audit for discussion and agreements with the governors.

3.1 Key Accounts Points

The draft accounts an overall decrease in incoming resources with an increase in charitable activities which is offset by the reduction in donations and capital grants.

The increase in charitable activity income is mostly due to the receipt of the Teachers Pension Grant in the year. There has also been an increase in GAG income which is partly due to increased pupil numbers but also increased funding from other factors and the large reduction for MFG in the previous year. There has, however, been a reduction in other income which includes catering and school fund income. These have reduced due to the reduced service / trips in the year due to the pandemic which is consistent with the equivalent expenditure in the accounts.

The reduction in donations and capital grants is due to the level of CIF income received and recognised in each year, which is consistent with the variance in maintenance expenditure.

Other variances in expenditure that are worth noting are:

- Increase in staff costs which is mostly due to the increase in pension costs in the year due to the increased employer contribution rates for the TPS from September 2019 and the LGPS from April 2020.
- Reduction in supply staff costs which is largely due to the lack of costs between April and August 2020 due to the pandemic.

In terms of the balance sheet, the main variances are the increases in cash at bank and in hand and creditors which are due to a change in disclosure in relation to the pension liability payments which have moved from cheques in the previous year to electronic payments in the current year which means that the balances are shown as liabilities in the current year compared to bank reconciling items in the previous year.

Sir Robert Pattinson Academy

Report to Governors

3.2 Financial Statement Audit

Audit Approach

Our general audit approach was determined by our assessment of the audit risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the academy operates.

To summarise our approach, we:

- updated our understanding of the business and its environment;
- reviewed the design and implementation of key internal financial control systems; and
- planned and performed an audit with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated.

Significant risks arise on most audits and are often derived from business risks that may result in a material misstatement, relate to unusual transactions that occur infrequently, or judgemental matters where measurement is uncertain. In areas where we identified the potential for significant risk, we extended our audit testing to include more detailed substantive work. Our work in other areas was proportionally less.

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

There were no changes to our audit approach as previously communicated to you.

Sir Robert Pattinson Academy

Report to Governors

Summary of Significant Audit Findings – Standard Audit Risks:

1 Management Override of Controls

Per auditing standards we are required to include management override of controls as a default risk on all audits. This is regardless of whether any evidence has been observed in the current or preceding years. We confirm that no issues were observed during the audit.

This section has been included for the governors' information and no response is required.

2 Revenue Recognition

Per auditing standards we are also required to include Revenue Recognition as a default risk on all audits. This is regardless of whether any issues have been observed in the current or preceding years. During the audit there was no evidence to suggest that Revenue had been manipulated.

The only adjustment made was to recognise the CIF grant funding received in the year. This is on the basis that the funding is provided based on specifically quoted costs and it is therefore considered that the Academy has entitlement to the income upon receipt. In addition, any project underspend can only be identified upon completion of the work and therefore any liability will only arise upon completion of the works.

We also note that the Academy has moved to its cashless catering system during the year which may mean amounts for catering are collected in advance at the year-end. We have not investigated / quantified any balances yet to be spent and consider that the balance is unlikely to be significant to the accounts.

This section has been included for the governors' information and no response is required.

3 Related Party Transactions

Finally per auditing standards we are also required to include related party transactions as a default risk on all audits. This also overlaps with the Regularity section as "Connected Party Transactions" has been highlighted by the ESFA as a key area.

Sir Robert Pattinson Academy Report to Governors

Our review of related party relationships did not identify any new parties in the year and therefore we agree with the consistent disclosure given in the financial statements. We again highlight that the disclosure made is not fully consistent with the example wording included in the Accounts Direction for 2020.

Summary of Significant Audit Findings – Other Key Areas:

1 Payroll

We consider payroll to be a significant area to the academy given that it is the largest cost.

Our audit work during the year has included reviews of the systems and controls for monthly processing, a reconciliation of the cost to payroll records and the agreement of a sample of staff as being accurately paid. We can confirm that the cost in the financial statements is consistent with the payroll records for the year and that staff have been accurately paid based on the sample tested. In addition, an appropriate accrual has been made in respect of the backdated pay increase due for non-teaching staff, although the full accrual has been made to salary costs which suggests no accrual has been made for the associated on-costs. However, we agree that these are unlikely to be significant to the financial statements.

Our review of the systems and controls in place identified that, in general, the systems for the processing and checking of payroll have operated effectively during the year. However, we did identify issues in our review of employee pension deductions which suggested that deductions were not made at the correct percentage for several teaching staff in April 2020. This is consistent with the findings of the separate audit of the TPS EOYC for the year ended 31 March 2020. We would advise that the payroll system is reviewed to determine why incorrect bandings are being applied to the teachers concerned as this also affects the tax paid.

Ultimately, the issue identified affects the amount that paid by the teachers rather than affecting the cost to the academy for the year.

In addition, we identified the following:

- a difference of £168 between the HMRC liability and the balance per the August 2020 payroll records; and
- cycle to work scheme deductions posted to the balance sheet resulting in a credit balance as no original invoice had been posted to the balance sheet.

Sir Robert Pattinson Academy Report to Governors

Based on our review of the systems and controls, we do note that balances are regularly ticked off and agreed so the differences were unexpected. We do expect that matters will be resolved on a timely basis in due course.

It was confirmed that the pension contributions for all teachers have been reviewed and checked with the results communicated to the TPS. It is agreed that the payroll system is now operating accurately in this regard.

2 Local Government Pension Scheme (LGPS) Deficit

As the governors are aware the LGPS deficit was recognised as a liability of the academy at the point of conversion, with a further actuarial valuation being required at each subsequent balance sheet date, to provide a figure to be included in the statutory accounts. This is in accordance with the requirements of FRS102 on the basis that the academy's share of the scheme deficit can be separately determined. This is shown as a separate (negative) restricted fund reserve.

The academy's share of the deficit to 31 August 2020 is £2,666,000, an increase of £445,000 (20%) on the previous year. We have seen various rates of increase in the deficit across all of our Lincolnshire academies. The review undertaken suggests the current service cost and interest costs are at comparable rate with the main factor in the rate of variance being the effect of the change in actuarial assumptions on the value of assets and liabilities. We are aware that the option of an Academy specific report explaining the movement in the deficit was given.

This section has been included for the governors' information and no response is required.

Other Audit Issues for Discussion:

1. Fixed Assets – Property Valuation - in our 2018 report, we included a section in relation to the valuation of property on the basis that a CIF project was commenced and it was considered necessary to agree the treatment in relation to the valuation of property. As further significant CIF works are due to be completed in 2020/21, it is again considered a useful time to discuss the valuation of property in the financial statements as well as other fixed assets.

For a number of our academies, depreciation is not charged in the financial statements on the grounds of immateriality – the property is considered to have a residual value that is not significantly different from the value transferred on conversion and a useful economic life meaning that any depreciation charge is not significant to the financial statements.

Sir Robert Pattinson Academy Report to Governors

However, the Academy has adopted a policy of depreciation on property of 2% per annum and therefore after 50 years the property will have no value in the financial statements. As a result, it might be considered that the CIF roof works to be undertaken will represent a re-instatement of the depreciated property value to date and therefore should be capitalised. At the year-end, only professional fees in relation to the bid have been incurred which have been expensed.

For our academies who do not depreciate property, it is slightly more straightforward as any repair / replacement costs to or within the property are simply expensed each year which effectively stand in for any depreciation charge.

We therefore seek to confirm that the governors remain satisfied with the current policy of depreciation and the valuation of property in the financial statement and therefore to further confirm the expected treatment of the CIF-related expenditure for the 2020/21 financial year.

It was agreed that the policy would be reviewed during the next financial year.

2. Fixed Assets – Fully Depreciated Assets – we note that, in particular for IT equipment, there are a large number of fully depreciated assets. These may represent assets that are no longer owned / used that have not been disposed in the accounts. We do note that the current fixed asset registers do include a large number of assets which could mean that the task of confirming which assets are still owned each year is rather time consuming. However, we do advise that an exercise is undertaken to determine which assets are still owned / used and therefore that disposals are appropriately processed.

In addition, in our opinion, it is logical to only capitalise significant one-off expenditure as from a finance perspective these are much easier to monitor. For example, whilst 30 computers may be acquired which is in excess of the de minimis and currently capitalised, it is not straightforward for finance to monitor whether any have broken or no longer in use and should be disposed of in the financial statements.

We therefore seek discussion with the governors over the current policy for the recognition of assets as capital in the financial statements.

It was confirmed that a review of the fixed asset registers would be undertaken during 2020/21.

Sir Robert Pattinson Academy Report to Governors

3.3 Regularity Audit

In addition to our audit report on the financial statements the Accounts Direction also requires us to issue an assurance report on Regularity. This requirement was brought in by the ESFA in 2012, together with the additional “Statement on Regularity, Propriety and Compliance” which is signed by the Accounting Officer.

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement included examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust’s income and expenditure. The work undertaken to draw our conclusions included:

- The Review of the Academy’s Systems and Controls and Confirmation of Operation during the Year including Authorisation of Invoices, Payments, Salary Adjustments and Tendering.
- The Review of a Sample of Expenses including Nominal Codes that might feature transactions which may be indicative of those with a greater risk.
- The Review of the Academy’s Related Party Relationships and for any transactions which would require ESFA approval.
- Discussions with the Finance Team.

Sir Robert Pattinson Academy Report to Governors

Points for Discussion:

As with the previous year, we seek confirmation from the governors that they are satisfied that the current management accounting reporting requirements are being met. In particular, our review of the internal audit report in the year noted that balance sheets were not always provided as part of the management accounts at the start of the year but this was an area to be addressed. We therefore seek confirmation that this has been addressed.

It was confirmed that adequate reports for income and expenditure and cashflow were issued with finance undertaking a full balance sheet review monthly. It was agreed that the balance sheet will be provided as part of the management reporting pack going forward.

We will issue an unmodified regularity assurance report for the year.

4 Taxation

We are not aware of any activities that would give rise to a breach of HM Revenue and Customs thresholds for charities; accordingly we do not believe that the academy has a corporation tax liability.

Please advise if you believe there are additional activities that may be taxable, or if you have received any correspondence from HMRC. Per HMRC, the academy is exempt from filing a tax return for 2019/20.

Sir Robert Pattinson Academy Report to Governors

5 Post Management Accounts Adjustments

The adjustments below have been made in arriving at the draft financial statements. Please review these adjustments and advise us if there are any in which you are not in agreement.

	Assets Increase / (Decrease) £	Liabilities Increase / (Decrease) £	Resources Increase / (Decrease) £
Net Resources per Trial Balance			(167,600)
Recognition of CIF Income Deferred		(151,428)	151,428
Adjustment of School Fund Income Posting		7,534	(7,534)
Cycle to Work Scheme Invoice to Balance Sheet	327		327
Adjustment of LGPS Deficit		445,000	(445,000)
Agreed Audit Adjustments	327	301,106	(300,779)
Net Movement in Funds per the Accounts			(468,379)

The adjustments to the accounts were agreed.

Sir Robert Pattinson Academy Report to Governors

6 Unadjusted Items

During the audit, there were no non-trivial actual errors identified. Errors of less than £4,500 are considered to be trivial.

7 Systems and Controls

As part of our audit we are required by auditing standards to review the main systems and controls operated by the company, and report any material weaknesses to those charged with governance. Our procedures are designed primarily with a view to the expression of an opinion on the accounts. Our comments cannot therefore be expected to include all possible improvements in the internal controls that a more extensive review by Internal Audit might identify.

Other than the systems points discussed in the section covering payroll in Section 2, our audit work did not identify any significant systems weaknesses to be brought to your attention. Our work suggests adequate segregation of duties within the finance team and adequate authorisation procedures of payroll and purchases.

In terms of following up on the points raised in the previous year, we would like to note the following:

VAT – we have agreed that VAT submissions have been made on a timelier basis during the year. Our testing did identify an invoice for insurance from Marsh in the year for which the VAT has not been reclaimed of £226.78 which can be adjusted for in the current year. We do appreciate that it is easy for VAT on insurance invoices to be overlooked.

Our comments were noted – finance confirmed that the VAT would be adjusted in the current year.

Sir Robert Pattinson Academy

Report to Governors

Appendix 1

Streets Audit LLP
Tower House
Lucy Tower Street
Lincoln
LN1 1XW

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy's financial statements and, as relevant, your assurance engagement on regularity for the year ended 31 August 2020. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

- 1 We have fulfilled our responsibilities as governors as set out in the terms of your engagement letter under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the academy have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy, and with all other records and related information requested, including minutes of all management and governor meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.

Sir Robert Pattinson Academy Report to Governors

- 5 The effects of uncorrected misstatements (as set out in the Report to Governors) are immaterial both individually and in total.
- 6 We have reviewed the list of proposed journal adjustments (as set out in the Report to Governors). We agree that these adjustments are required to ensure that the financial statements present a true and fair view and have been allocated in accordance with our accounting policies.

Internal control and fraud

- 7 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 8 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 9 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

- 10 The academy has satisfactory title to all assets and there are no liens or encumbrances on the academy's assets, except for those that are disclosed in the notes to the financial statements.
- 11 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 12 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

- 13 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Sir Robert Pattinson Academy Report to Governors

Loans and arrangements

- 14 The academy has not granted any advances or credits to, or made guarantees on behalf of governors other than those disclosed in the financial statements.

Legal claims

- 15 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

Law and regulations

- 16 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

- 17 Related party relationships and transactions comply with the academy's financial regulations, relevant requirements of the Academies Financial Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Academies Accounts Direction issued by the Education and Skills Funding Agency.

Subsequent events

- 18 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

- 19 We believe that the academy's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy's ability to continue as a going concern need to be made in the financial statements.

Sir Robert Pattinson Academy Report to Governors

Grants and donations

20 Grants made by the Department for Education and Education and Skills Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.

21 All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

Each governor has taken all the steps that he / she ought to have taken as a governor in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Yours faithfully

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Signed on behalf of the board of governors

Date.....

Sir Robert Pattinson Academy Report to Governors

Appendix 2

Streets Audit LLP
Tower House
Lucy Tower Street
Lincoln
LN1 1XW

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to Sir Robert Pattinson Academy and the Education and Skills Funding Agency (ESFA) for the year ended 31 August 2020. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy me that I can make each of the following representations. All representations are made to the best of my knowledge and belief.

General

- 1 I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between Sir Robert Pattinson Academy and the Secretary of State for Education and the Academies Financial Handbook 2019.
- 2 I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.
- 3 I acknowledge my responsibility to notify the governing body and the ESFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy's funding agreement and have had due regard to the requirements of the Academies Financial Handbook 2019 in performing this duty.

**Sir Robert Pattinson Academy
Report to Governors**

- 4 Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the ESFA.
- 5 Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the academy's authorising framework.
- 6 Full and free access has been granted to the all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Yours faithfully

.....
Accounting Officer

Date.....