



Sir Robert Pattinson Academy

Report to Governors

Audit for the Year Ended 31 August 2022

This report was discussed by the governors at a meeting on 28 November and presented by the auditor at a meeting on 12 December.

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1 Introduction

Streets is a 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, Colchester, Grantham & Newark (Long Bennington), Hull, Lincoln, London, Luton, Manchester, Newmarket, Northampton & Kettering, Peterborough, Sheffield, Stevenage, Tamworth and West Mersea.

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.

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2 Summary

2.1 Communications Required by Auditing Standards

We have audited the statutory accounts of the Academy for the year ended 31 August 2022 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 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 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 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.

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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 review of after date invoices.
3. Signed letters of representation.

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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.

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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 show a reduction in incoming resources with the following variances compared to the previous year:

- Increase in GAG income – pupil led factors income has increased due to increased funding received per pupil and an increase in the number of pupils funded.
- Reduction in other ESFA income – this is due to the loss of teachers pay and pension income except for the sixth form provision as it has been factored into the funding formula. This has been offset by the receipt of the supplementary grant income to assist with the increased employers national insurance contribution rate.
- Reduction in CIF income – the previous year included 2 projects with the significant roofing project with the current year reflecting a single project which was partially completed at the year-end. This reduction is consistent with the reduction in maintenance expenditure.
- Increases in school fund and catering income – affected in the previous year from the pandemic with the increased income consistent with increases in corresponding expenditure.

Expenditure has decreased compared to the previous year. In addition to the variances in expenditure noted above, the following variances should also be noted:

- Increase in direct ICT costs – mostly affected by the agreed change in treatment of fixed assets as discussed in more detail below with the cost including items that may have been previously capitalised and the write-off of brought forward assets.
- Increase in other direct staff costs – due to the level of staff restructuring costs incurred in the year.
- Increase in educational materials and supplies – due to increased expenditure in relation to the additional funding available in relation to COVID.

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In terms of the balance sheet, the key variances compared to the previous year are:

- The increase in creditors due to:
 - a) Increased trade creditors – large invoices outstanding at the year-end in relation to the ongoing CIF project.
 - b) Increased accruals – the main increase being the accrual for the non-teaching staff pay award from April 2022.

- The increase in debtors due to:
 - a) Increased accrued income – due to the balance accrued in relation to the CIF project.
 - b) Increased other debtors – due to the VAT balance – whilst the number of months outstanding has decreased compared to the previous year, the VAT balance has increased due to the VAT to be reclaimed on the CIF projects invoices.

We do note that no balance has been included for stock at the year-end. Based on previous years, the balance is unlikely to be significant to the financial statements.

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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.

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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 Fraud in Relation to 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.

Other Income Recognition:

The following adjustments were made to income during the audit:

- CIF project – a detailed review of CIF income and expenditure was undertaken during the audit. It was identified that the retention balance was not accurately accrued and agreed to be adjusted for £10,734. The income review based on costs to date determined an understatement of £11,625.
- School fund – a review of the school fund was undertaken with finance, and it was agreed that the balances mostly reflected unspent income rather than income received in advance of future periods. It was therefore agreed to adjust the accounts to recognise unspent income to leave only amounts collected in advance as deferred. The overall adjustment to income was an increase of £3,039.

The Academy uses a cashless catering system although income is recognised based on the receipts basis rather than sales basis. Our review indicated that income is materially accurately stated. This section has been included for the governors' information and no response is required.

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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.

Our review of the register of business interests and accounting records did not identify any transactions requiring disclosure in the financial statements. However, we would highlight the close relationship between In-House (PBS) Limited and L Harman.

Subsequently, it was highlighted that a relative of a governor is employed by the academy for which accurate disclosure in line with the Accounts Direction has been given in the accounts.

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.

We did note that no accrual was made in the financial statements for the expected non-teaching staff pay increase that will be backdated to April 2022. Adjustment was agreed using an estimated average 8% pay increase to staff including on-costs of £55,816.

Our testing of staff restructuring costs identified that payments for notice entitlement paid in lieu had been subject to employer pension contributions for the TPS. Our review of the TPS website indicated that payments in lieu of notice to cancel a contract are non-pensionable pay. Finance may wish to review to identify whether contributions have been overpaid in the year.

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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 balance can be separately determined. This is shown as a separate restricted fund reserve.

The academy's share of the balance as of 31 August 2022 per the actuarial report is an asset of £75,000 having been a liability of £3,147,000 in the previous year. The change in the year is consistent with the change in the discount rate actuarial assumption from 1.65% last year to 4.25% for the current year.

However, an asset should only be recognised where the balance will be recovered through reduced contributions or a refund from the scheme. It has been confirmed that the contribution rate and the annual deficit contribution payment is due to increase from April 2023 and there is no evidence of a refund to be made to the academy. Therefore, it is agreed that the balance is not recognised as an asset in the financial statements.

3 Other Accounting Estimates

The only other accounting estimate identified in the financial statements was in relation to depreciation which affects the property and other fixed assets valuation. A detailed review was undertaken during the 2021 audit of fixed assets which has been discussed with finance during the audit with the following agreed:

- The reclassification of property related costs from furniture and equipment with a net book value of £335,515.
- The write-off of fully depreciated assets brought forward.
- The write-off of assets previously capitalised made up of maintenance type costs and assets with individual values below the academy de minimis resulting in an expense of £121,799.

On the back of the discussion, it was agreed that the annual depreciation charge for property should be £nil on the basis that the asset has a long useful economic life, and its residual value is not materially different from the value per the accounts.

All other fixed assets are being depreciated to £nil which is considered reasonable given the nature of the assets.

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Other Audit Issues for Discussion:

1. Provisions and Contingent Liability – in the previous year, we noted the ongoing employment tribunal. We have not identified any potential issues affecting the financial statements.

We would further highlight the case Harpur Trust v Brazel with the ruling made in July 2022 affecting paid holiday for part year workers which could have an impact on the academy. Any amounts to be settled are based on claims made. We seek discussion with the governors whether any impact can be estimated reliably with a view to ultimately concluding whether any disclosure is required in the accounts.

2. Going Concern – we have reviewed the financial position of the academy and have determined that the academy maintains sufficient reserves at the year-end with no other budgeted concerns which would indicate that academy may not be a going concern. We have not identified anything else that indicates that the academy will not still exist in its current form this time next year. As a result, we agree that only the standard disclosures are required in the financial statements.
3. Roofing CIF Project – one of the invoices reviewed during the audit was for fencing works of £33,490 which it was identified related to works advised as part of a change of scope from the roofing CIF project. However, the cost was not included in the final cost of the project on the confirmation of completion form submitted to the ESFA. A final balance of funding of £42,756 was not received from the ESFA on the basis that the underspend declared was £43,373. As a result, income to cover the cost may be outstanding from the ESFA which we have raised to finance. As the receipt of income is not certain, we do not propose any adjustment of the draft accounts.

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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 associated 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.

Points for Discussion:

Our audit work did not identify any issues requiring further discussion and therefore we anticipate that we will issue an unmodified regularity assurance report for the year.

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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 2022.

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 Final Client Trial Balance			97,855
Write-Off of Fixed Assets	(121,799)		(121,799)
Agreed Fixed Asset Additions and Depreciation Charge	17,134		17,134
Recognition of Deposit Paid as Debtor	10,202		10,202
Adjustment of School Fund Position	18,750	(389)	19,139
Accrual for Non-Teaching Staff Pay Award		55,816	(55,816)
Adjustment of CIF Project Income and Expenditure	11,625	10,734	891
Adjustment of LGPS Deficit		(3,222,000)	3,222,000
Agreed Audit Adjustments	(64,088)	(3,155,839)	3,091,751
Net Movement in Funds per the Accounts			<u>3,189,606</u>

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6 Unadjusted Items

During the audit, the only potential non-trivial adjustment identified was a projector, electric screen and installation with a total value of £7,004. For the purposes of the audit, trivial was considered to be any potential misstatement less than £4,000 in value.

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 academy, 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.

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 the previous year, we discussed weaknesses in relation to the systems and controls over VAT. We have agreed that VAT has been reclaimed on a timelier basis in the year with only a trivial difference existing between the nominal ledger and outstanding claims.

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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 2022. 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.

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- 5 The effects of uncorrected misstatements (as set out in the Report to Governors) are immaterial both individually and in total.

Internal control and fraud

- 6 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.
- 7 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.
- 8 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

- 9 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.
- 10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 11 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

- 12 The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

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Loans and arrangements

- 13 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

- 14 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

- 15 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

- 16 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

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

Going concern

- 18 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 also confirm our plans for futures action(s) required to enable the academy trust to continue as a going concern are feasible. 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 trust's ability to continue as a going concern need to be made in the financial statements.

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Grants and donations

- 19 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.
- 20 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.....

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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 2022. 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 Academy Trust Handbook 2021.
- 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 Academy Trust Handbook 2021 in performing this duty.

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- 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 all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Yours faithfully

.....
Accounting Officer

Date.....