Atlas Multi Academy Trust

Post-Audit Management Report
Year Ended 31 August 2022

MOORE Kingston Smith

Post-Audit Management Report – Atlas Multi Academy Trust

We have completed the audit of Atlas Multi Academy Trust ("the Trust") for the year ended 31 August 2022 and we expect to issue an unqualified audit opinion.

We have also completed the limited assurance regularity work for the Trust's year ended 31 August 2022 and we expect to issue an unmodified report.

This report covers the findings from our audit, the scope of which was communicated to you prior to commencing the work. It includes some recommendations for improving the accounting and internal control systems as well as highlighting some future developments that may be of interest to the board.

We hope that the recommendations are practical and are able to be implemented. We would be grateful if you could discuss the points as a board and will welcome a written response. Please extend our thanks to Kim Rennie for all their help with the audit.

If you have any concerns or questions arising from this report, please contact Anjali Kothari or Magda Meier.

Yours faithfully,

Moore Kingston Smith LLP
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Moore Kingston Smith LLP

6 December 2022
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Date

Contents

Audit Approach - Risks

As outlined in our audit scoping report dated 6 September 2022 our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

The following table lists any risks identified at the planning stage and during the course of the audit, our approach to mitigate the risk and our conclusions from completing this work.

Risk	Audit Approach	Results
Revenue recognition DFE Funding could be recognised in the wrong period.	We will look to gain assurance in this area by comparing expected DFE funding to income per the accounts to ensure income has been recognised in the correct accounting period.	Based on the work performed we are satisfied that revenue is not materially misstated.
Management Override There is an inherent risk that management may override the internal controls over the accounting system.	We will review areas of management judgement, such as accounting estimates and challenge the assumptions made.	There was no evidence of management override of controls.
Staff Costs Staff costs are the largest cost – there is a risk that this could be misstated if joiners and leavers overtime are not recorded properly.	We will agree wages costs to payroll reports, sample test additions and deductions to the payroll, review the payroll reconciliation and test a sample of joiners and leavers.	Based on our testing, staff costs are not materially misstated however control points have been raised.

Significant findings from the audit

We are required under International Standards on Auditing to request you to correct all misstatements identified during our audit, with the exception of those that are clearly trivial.

Corrected material misstatements

Included on page 10 are the corrected material misstatements identified from our work and discussed at the clos out meeting.

Observations concerning the operation of the accounting and control systems

We detail in the next section other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention, which were identified during the course or our audit and limited assurance regularity work. Each of these observations has been given a risk rating around the potential impact of the issue identified and includes management responses.

Due to the nature of an audit and limited assurance assignment, we may not have identified all weaknesses within the accounting and internal control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

Management Representation Letter

A draft of our proposed management representation letter has been sent to you under separate cover. All of the matters included in this letter on which we seek the Trustees formal confirmation are in respect of routine matters except the following:

14) We confirm that Camp Beaumont debtor of £12,914 has not been received at the date of the audit but the balance is recoverable.

15) We confirm that the Lloyds Fund account 309430-27668268 with a balance of £200.03 at 31/08/22, which is not included in the financial statements, will be closed.

Other Matters

Going Concern

There is an assumption that the Academy is a going concern and that it will continue its operations for the foreseeable future. As part of our audit work we review and stress test your budgets and forecasts in order to ensure the assumption on going concern is correct. We are aware that as a result of the current inflationary pressures there is an on going impact in areas such as the cost of food and gas and electricity prices as well as wage inflationary pressures. We accept that whilst the full future impact cannot be accurately predicted the academy would struggle to return a surplus budget in the long term, should these pressures continue into 2023/2024, without increased funding from the government.

Audit process

A number of journals were identified by the Academy which amended the original trial balance that was supplied to us as part of the audit deliverables. The total adjustment to the SOFA amounted to £1,184,527 and with pension adjustment was £7,202,527. We normally expect the pension adjustment to be undertaken as the information is never readily available at the time of the audit. The remaining adjustments seemed to be a result of the audit timetable and the Academy is currently considering whether the 2023 audit should possibly be moved back a week to ensure any additional audit time that was incurred in the current year is not repeated.

Regularity Conclusion

In addition to our audit opinion we are also required to perform a limited assurance engagement, reporting to both you and to the Education and Skills Funding Agency (ESFA).

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 includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure. The work undertaken is detailed in our Independent Reporting Accountant's Assurance Report on Regularity.

Areas under review

Our regularity opinion was formed from conclusions formed under the following headings:

- Delegated authorities – consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.
- Transactions with connected parties – consideration and review of connected party transactions, ensuring they took place at no more than "cost".
- Governance – review of budgeting procedures and consideration of instances of irregular activities.
- Internal control – review of authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- Procurement – identify policies, review their effectiveness and test their operation.
- Income – consider if specialist grants have been spent as the purposes intended.

Findings relating to regularity

There were no points in regards to regularity.

Operating of the accounting and internal control system

We are required to report to you in writing significant deficiencies in the internal control environment that we have identified during the course of our 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.

We have categorised the internal deficiencies noted via a colour-scale rating system. The key to which follows:

(red)	HIGH Issues where there is a risk of significant financial impact on the business that must be addressed immediately.
(amber)	MEDIUM Issues where there is a risk of moderate financial impact on the business, such as a control failure or the absence of a control in an area of moderate risk. These should be addressed soon.
(green)	LOW Issues that relate to minor control deficiencies or enhancements in control efficiency. These should be addressed within an agreed timescale.

Operating of the accounting and internal control system (continued)

	Current year observation	Risk	Auditor Recommendation	Management Response
1	**Payroll: Employment Contracts (STAGS)** We identified one employment contract which was not signed.	Medium	We understand that this is an isolated error and but as a reminder no staff member should begin their employment without a signed employment contract on file.	We will add to our induction email template a request for the employee to bring their signed contract with them on their first day to enable our Payroll Manager to add them to the payroll system.
2	**Payroll: Leaver Documentation (Adeyfield)** We identified two leavers during the year where there was no leaving documentation on file. One of these was the son of HR team member.	Medium	Ensure all leavers have documentation or correspondence on their files which record their termination details such as leaving dates.	Our leaver process does require a resignation letter for employees. There is no requirement however for casuals to provide notice and they aren't paid unless they provide a timesheet. We periodically do a sweep up by checking whether casuals are still being used. We can state that we will endeavor to get a letter of resignation but I think it will be more tricky here to enforce this for every case.
3	**Payroll: Leavers (Adeyfield)** A leaver was not identified as a leaver on the payroll correctly and continued to be paid.	Medium	Ensure all leavers are fully documented.	This was an oversight by a member of staff who has subsequently left. HR and finance work closely with the new payroll manager at Adeyfield to ensure all resignations are documented and communicated as soon as they occur.
4	**Bank (MAT)** We identified a Fund bank account with a balance of £200 at 31/08/2022 which had not been incorporated within the trial balance. There were transactions on this account which were minimal.	Low	All bank accounts should be included on the trail balance and all transactions need to be accounted for within the accounting ledgers.	The funds have been transferred into the STAGS bank account post year end and the account closed.

Current year observation	Risk	Auditor Recommendation	Management Response
Related Parties From our review of FAME reports for the trustees and senior leadership, there are some interests not declared on the declaration of interest (Paul Lerwill - East Dacorum Cooperative Learning Trust which is dormant and Anthony Paul Snook - Atlantic Court (Ilfracombe) Management Company Ltd which is active).	Low	Ensure the declaration of interests are up to date. Independent checks should be undertaken by the school to ensure the forms are complete.	We will ensure that our own company searches are undertaken by the Trust Administrator on all Trustees and senior leadership team annually in September to ensure that the declaration of interest form is up to date.

Corrected material misstatements

Description	Balance sheet		Statement of Financial Activities		Effect on Net Surplus
	Dr	Cr	Dr	Cr	Increase/ (Decrease)
Creditors – deferred income	59,503				
Other grants				59,503	59,503
Being release of deferred income (Adeyfield)					
Total effect on Net surplus as a result of corrected misstatements					**59,503**

Sector updates

Having been delayed by the machinations of government changes in mid-2022, there was the belated release of the updated version of the Academies Trust Handbook, covering changes to financial reporting and day to day operations for academies which come into force from 1 September 2022. A copy is attached and the link for downloads is here.

There are a few key changes of note including:

- Financial reporting – an academy trust must submit a budget forecast return to the ESFA each July, which must be approved by the trustees before submission. The board of trustees must notify ESFA within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years. This is different from previous years and confirms the withdrawal of the Budget Forecast Return Outturn (BFRO).
- Special payments – an academy trust must obtain ESFA approval before making a special staff severance payment where an exit package (which includes a special severance payment) is at or above £100,000, or where the employee earns over £150,000. This is the only change that has been made re special severance payments.
- Indemnities – an academy trust will be able to enter into indemnities which are in the normal course of business without seeking approval.
- Other novel or contentious transactions – an academy trust must obtain ESFA's prior approval for the following transactions, unless these special payments are below the delegated limit (1% of total annual income or £45,000 (whichever is smaller) per single transaction:
    - writing-off debts and losses;
    - entering into guarantees or letters of comfort; and
    - entering into indemnities which are not in the normal course of business.
- Religious character - changes have been introduced where services which can only be provided by a religious authority are regarded as meeting the 'at cost' requirement.

Do please remember – this updated Handbook applies to the year 2022/23, so while it is not relevant to the year our audit is reporting on (31/8/2022), it will be relevant to your operations right now.

Sector Updates

Employment Sector Updates

2022 was an important year for employment law.

Many of the employment provisions which were suspended because of the COVID-19 pandemic returned to the agenda.

Many of the new working practices that were introduced, initially in response to the pandemic, have become part of ordinary business practice, such as working from home and hybrid working, offering employees greater flexibility and creating fresh opportunities and challenges for employers. The War for Talent is likely to intensify if the current trend of mass resignations and staff shortages in some sectors continues.

The UK waits to see what changes may occur now that the UK has left the EU and case law developments will continue apace.

Holiday Pay for Part Year Workers

In a landmark case, the UK's Supreme Court ruled that, instead of pro-rating holiday entitlement and pay using a multiplier of 12.07%, employers must give part-year workers on permanent contracts the full 5.6 weeks of paid annual leave per year regardless of the number of weeks they have worked in the leave year and must calculate holiday pay for workers on irregular hours using an average of their ordinary remuneration over a 52-week reference period. This ruling largely affects schools, but all employers who use part-year workers on permanent contracts will also see increased liabilities and potential claims risks.

Employment Bill 2022

The Government intends to introduce an Employment Bill which implemented many of the unimplemented recommendations of the Good Work Plan, including:

- A change to the break in service required to break continuous service from more than one clear week to a month. Continuous service is crucial for accruing some employment rights e.g. the right to claim unfair dismissal and redundancy pay;
- A new, single labour market enforcement agency to protect vulnerable workers and support business compliance;
- Legislation to require employers to pass on all tips and gratuities to workers and to ensure that these were distributed on a fair and transparent basis, supported by a statutory Code of Practice;
- A new right for workers to request a more predictable contract after 26 weeks' service;
- An extension to the period of redundancy protection for pregnant workers from the point when an employee notifies their employee of their pregnancy until 6 months after the end of their maternity leave;
- New rights to neonatal leave and pay and a week's leave for unpaid carers;
- Making flexible working the default position unless an employer has a good reason not to allow it;

The Bill did not make it to the Queen's Speech as had been expected and there is currently no predicted date for when the Employment Bill will be introduced.

UK's withdrawal from the European Union

The Retained EU Law (Revocation and Reform) Bill 2022-2023 was introduced into the House of Commons. It aims to change the expected approach of reviewing and amending retained EU law slowly via legislation or case law deviating from EU rulings, allowing the UK to enact laws that best fit the country and its economy and setting a date of 31 December 2023 for the special legal status of EU law to come to an end. This date is subject to extension until 2026.

Sector Updates

Fraud in the Charity Sector

Fraud in the charity sector is unfortunately at an all-time high, with recent estimations being a loss of £2.3bn annually to the UK Not for Profit sector (an increase of some £400m from estimates shared in 2016). Alongside our own Moore Kingston Smith specialists in this area, the sector is beginning to develop a suite of tools, guides and blogs which are worth a visit to ensure your Charity is aware of the key fraud considerations, potential pitfalls and suggested controls:

The Fraud Advisory Panel (a registered charity and independent voice of the anti-fraud community) - https://www.fraudadvisorypanel.org/

10 questions every Trustee should ask about Fraud and suggested policies - https://www.gov.uk/guidance/protect-your-charity-from-fraud

The National Cyber Security Centre - https://www.ncsc.gov.uk/news/advice-thwart-devastating-cyber-attacks-small-charities

Action Fraud for reporting - https://www.actionfraud.police.uk/

This area is notoriously fast moving, with new areas of attempted fraud arising daily, but some of the prevalent current frauds and potential controls to protect your charity from these, include:

"Supplier mandate fraud"

Contact is made from a "supplier" employee who is noting (either by phone or official headed notepaper) a change of bank details. The bank details are fraudulent.

Control to mitigate the risk – review and approval of all standing data supplier changes and calls to confirm BEFORE updates processed.

"Batch supplier duplication"

An example of an internal fraud – the details of a supplier are duplicated onto the system and the duplicate given the fraudulent parties bank details. "Real invoices" are paid twice, hidden in the batch run, once real and once fraudulent.

Controls to mitigate the risk – Approval of new suppliers and monthly management accounts reviews. The additional payment debit will need to be either to a balance sheet code or will be seen through an inflated expense code on the SOFA.

"Fraudulent staff/temp staff costs"

The fraudulent party continues to pay staff after they have left (using updated fraudulent bank details), enrols ghost employees for payment or processes fake invoices through "busy" nominal codes such as temp staff costs.

Controls to mitigate the risk - This fraud is almost always discovered through a review of management accounts vs budgets. Preventive controls would include approval of staff detail changes and "lock down" on leavers details in a timely fashion.

"Email takeover"

An internet based fraud that is expanding rapidly (and becoming more sophisticated). The finance team receive an email "from" the FD/CEO usually late afternoon, indicating they have forgotten to pay a key supplier and it should be paid immediately.The email is fraudulent and so are the bank details given.

Controls to mitigate the risk – Communication by phone or face to face to confirm details. Do not allow payments to supplier details that do not match those saved on the standing data.

Sector Updates (continued)

Useful links

There are a number of other links which the Governors and senior leadership might find useful and some of these are listed below:

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

Information, tools, training and guidance to help schools and multi-academy trusts with financial planning and resource management
https://www.gov.uk/government/collections/schools-financial-health-and-efficiency

Key questions to help schools manage their resources and money efficiently.
https://www.gov.uk/guidance/schools-financial-efficiency-top-10-planning-checks-for-governors

ESFA weekly updates
https://www.gov.uk/government/collections/esfa-update

FD Forum
www.thefdforum.co.uk

ICAEW volunteers
www.icaewvolunteers.com

Impact of new auditing standards

Risk assessment

The revised auditing standard ISA (UK) 315 *Identifying and Assessing the Risks of Material Misstatement* will require all audit firms to reconsider their methodologies for risk identification and assessment. The aim of the changes is to drive better audit quality, through a focused approach to auditing identified risks and promoting a greater emphasis of professional scepticism.

We will be required to obtain a greater understanding of your IT systems. Reliance on IT has increased since this standard's last major overhaul and cloud computing and processing didn't exist at that time. The standard has been brought up to date and requires auditors to obtain a greater understanding of your IT systems, including general IT controls and information processing activities, identifying potential risks that these may pose. Our current plan will require the completion of a questionnaire prior to the commencement of the audit. Your responses will be reviewed and followed up, where applicable, during the planning phase of the assignment. Where your IT systems are complex and/or bespoke, our internal IT specialists are likely to be utilised to obtain the required level of understanding mandated by the updated standard.

The amendments bring together existing requirements for us, as your auditor, to obtain an understanding of your control activities. Our existing system notes will be the starting point for our discussions with you, as we have to distinguish between direct and indirect control activities. We will be updating and extending these to include journals, any transactions/balances/disclosures which we have identified as a significant audit risk.

Fraud

ISA (UK) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* has also been modified. The revisions were implemented to address of concerns that auditors aren't doing enough to detect material fraud.

There is a greater onus on auditors to look for potential fraud, whilst exercising professional scepticism. We will be required to design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative. Our audit procedures must be designed in such a way that they do not exclude audit evidence that may be contradictory. There will be changes to the audit testing we undertake on your audit.

A more interactive approach to assessing the risk of misstatement as a result of fraud will be needed. In addition to making enquiries of management, and when the composition is different, those charged with governance, the standard requires auditors to also discuss fraud with those within your organisation who respond to allegations of fraud raised by your employees or others. The scope of our discussions will extend to encompass the perceived risk of material fraud and any specific industry risks.

These updated requirements **will**, unfortunately, lead to an increase in audit fees, reflecting the additional time and effort which we must exercise.

Other matters

Engagement & Independence

Our engagement objective was the audit of Atlas Multi Academy Trust, and a limited assurance report as Reporting Accountants in accordance with the regularity requirements of the ESFA.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council's (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our audit scoping report dated [date].

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as [described in our audit scoping report.

Qualitative aspects of accounting practices, accounting policies and financial reporting

Based on our audit work performed, we believe that the Strategic Report, Trustees' Report and financial statements for the period under review comply with United Kingdom Accounting Standards and the Companies Act 2006, Charities SORP and Academies Accounts Direction 2021.

During the course of our audit of the financial statements for the period under review, we did not identify any inappropriate accounting policies or practices.

Matters specifically required by other Auditing Standards to be communicated to those charged with governance

Other than as already explained in our Engagement Letter, Audit Scoping Report and this Post-Audit Management Report, there are no other specific matters to communicate as a result of our audit of the financial statements under review.

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