

Honeybourne First School Academy

Report to the Governors

For the period ended 31 August 2021

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Executive Summary

I have pleasure in presenting our Audit Completion Report to the Governors. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

This report summarises the results of completing the planned audit approach for the year ended 31 August 2021, the results of our work and any and areas requiring further discussion and/or the attention of the Governors. At the completion stage of our work it is essential that we engage with the Governors on the results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure including compliance with FRS 102, Charities SORP, the Academies Accounts Direction 2020 to 2021 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The team are looking forward to discussing these matters with you at the our meeting on 30th November 2021 and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would like to take this opportunity to thank you and your staff for your help and cooperation during the course of our audit.



Ryan Moore
Head of Audit & Assurance

Audit Director
Ryan Moore CA
Senior Statutory Auditor



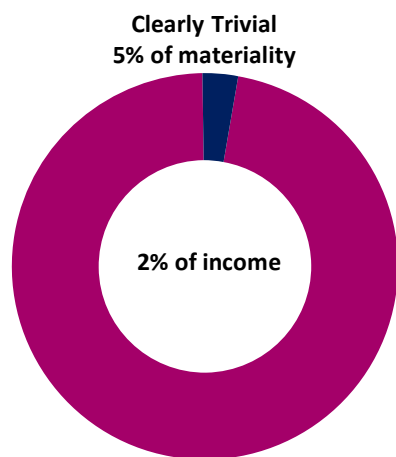
Summary of key messages

This summary provides an overview of the audit matters that we believe are important in reviewing the status of the audit of the financial statements for the year ended 31 August 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Prior to completion of our audit work there remains a small number of outstanding matters which are required prior to the approval of the audit report. These mainly include finalisation of our completion procedures. i.e. obtaining signed representations letter, details of any subsequent events which may affect the Academy.

Unadjusted audit differences and our audit materiality threshold



Overall materiality was determined based at 2% of income. We consider this is the most appropriate measure for calculating materiality and is a measure which is of significant interest to both the Governors, the users of the financial statements.

In accordance with the auditing standards, clearly trivial (the level at which misstatements are reported to the Governors) is set at 5% of overall materiality.

The aggregate value of the misstatements identified within our work do not exceed our audit materiality. The misstatements have not been adjusted for in the financial statements.

Overview (continued)

The Academy is working well within its available resources and is receptive to change on how to improve its processes and control environment. We have a responsibility as auditors to comment on these factors and it is pleasing to see that our recommendation at the interim stage regarding Companies House, journals and income was taken on board by management so promptly.

The key findings included within this report include:

Low risk control observations in respect of:

- Fixed assets;
- Payroll;
- Members and Governors;
- Tendering Requirements;

Further details regarding these findings can be found on page 14 onwards.

The regularity report is qualified on the following basis:

- Management accounts prepared during the year do not include a balance sheet;
- Governors interests were not disclosed in full on the academy's website.
- The academy had one appointed member in the period and at the year end

Accounts preparation status and timeline to completion

The financial statements have now been prepared and audited and subject to any amendments proposed at the Finance Committee, these will be completed and filed in accordance with the ESFAs December 2021 deadline.

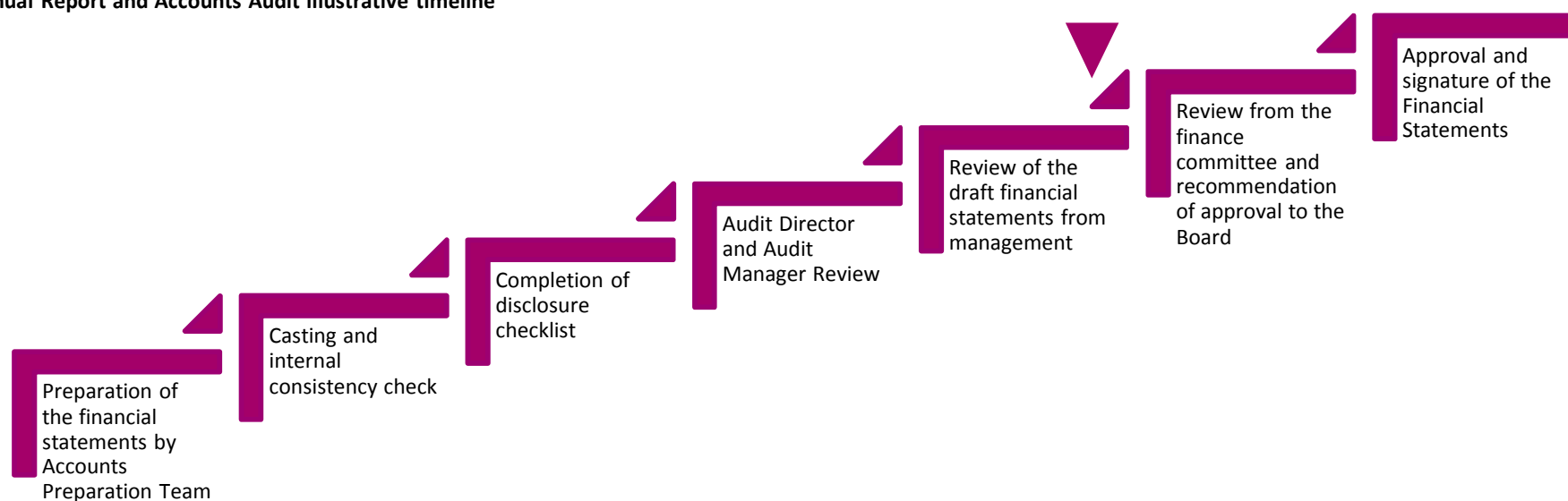
We would note that the production of the Annual Report and Accounts has been a significant effort for management and Randall & Payne. Consistent with prior periods, the information provided to Randall & Payne in September / October 2021 is clear and understandable and provides a good base for preparing the financial statements.

Disclosure quality

We consider that the Financial Statements are compliant with the requirements of the Companies Act, Charities SORP, Academies Accounts Direction and FRS 102.

Further, the Governors report includes good narrative on the performance of the Trust during the period and also considers the impact and the actions taken by management in mitigating the risk in respect of COVID-19. In July 2020, a supplementary bulletin was released by ESFA stating their expectation for the inclusion of these matters within Governor reports and it is pleasing to see that this was considered.

Annual Report and Accounts Audit illustrative timeline



Summary of key items



The financial statements for Honeybourne First School Academy include an unqualified audit report and a qualified regularity report for the Trust for the year ended 31 August 2021.

There is not a material uncertainty in respect of the going concern on the Trust, given its overall surplus fund position. See page 10 for further detail.



Our review of systems and controls indicated that the Academy Trust operates a acceptable control environment. Our work highlighted some minor areas for process improvement during the year, as well as some areas that were satisfactorily resolved prior to the year end. There are also two regularity qualifications and further details on this can be found on page 9.



There were no material unadjusted errors identified during our audit work.



Some adjustments were made to the management accounts in order to prepare the statutory financial statements however these are routine adjustments that are typically only recorded at the period end following receipt of external information. For example, accounting for the Defined Benefit Pension Scheme and accounting for depreciation charges.

A full reconciliation is found on page 16 of the report.



The risks identified during the audit are included within pages 7 to 11 of the report. See these pages for further details regarding our audit team responses and any related findings and recommendations.

AUDIT PROCESS

Year end accounts pick up

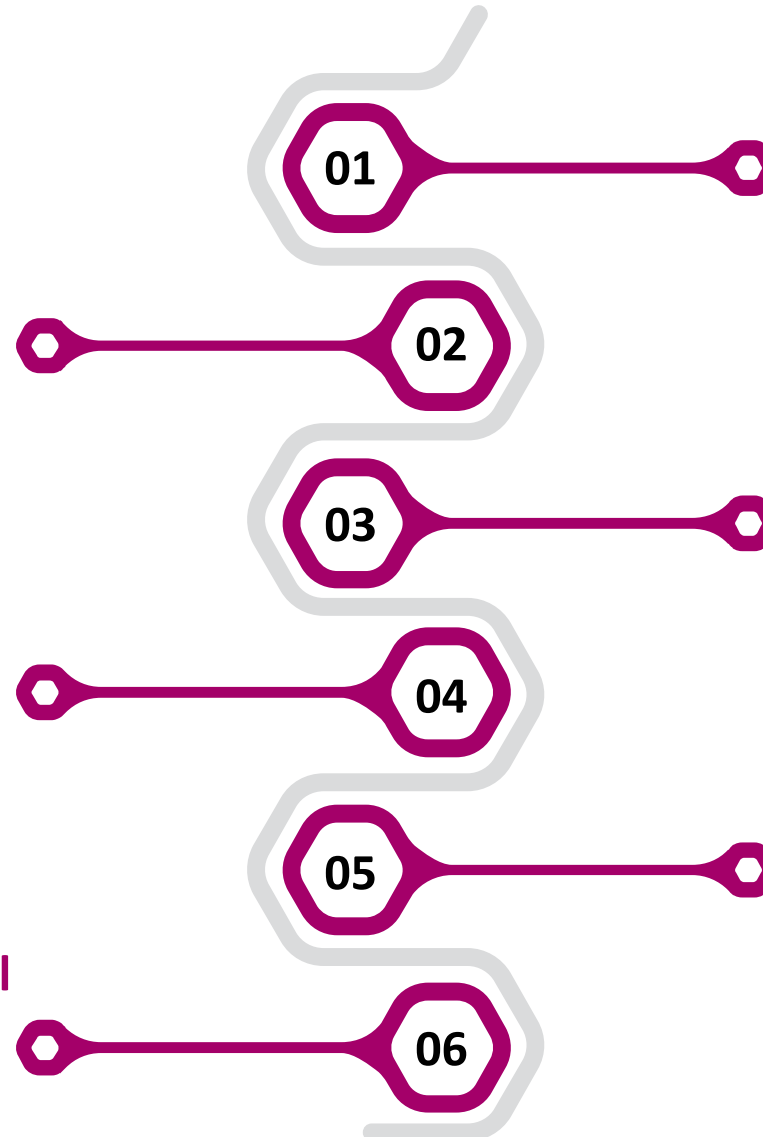
We received the accounts information and supporting documentation electronically through our secure file share portal at the end of September 2021, and then discussed the activities during the year and plans for the 2021 audit work. We were in contact throughout the year on various matters including budgets, VAT and systems, and as such this meeting is more of a catch-up rather than detailed assessment of activities and events. We also acknowledge that the academy continues to discuss its activities with us through the year so that we are up to date with events at the time of the audit

Audit planning

Audit planning is a continuous process throughout the year round audit cycle. This includes reviewing and determining the audit risks throughout the period. Detailed audit planning was finalised once the accounts were prepared in their initial form. Using the information obtained from our touch points throughout the year and known activities within the academy, a plan for how the audit is to be undertaken was established. Audit planning was then reviewed by Ryan and an audit planning meeting took place between the team to share knowledge and to discuss and assess audit role and planning on how to approach the assignment.

Financial Statements approval

The financial statements and management letter is presented at the Governors meeting and the accounts are approved for submission to the relevant authorities.



Team selection

The audit staff involved in the audit process were as follows:
Ryan Moore - Responsible Individual/Audit Director
Ben Burch- Audit Manager
Ffion Williams- Audit Senior

Accounts Preparation

The information was then reviewed at Randall & Payne's offices and accounts prepared by another member of the team to ensure ethical requirements are met. These were then reviewed ready for the audit planning.

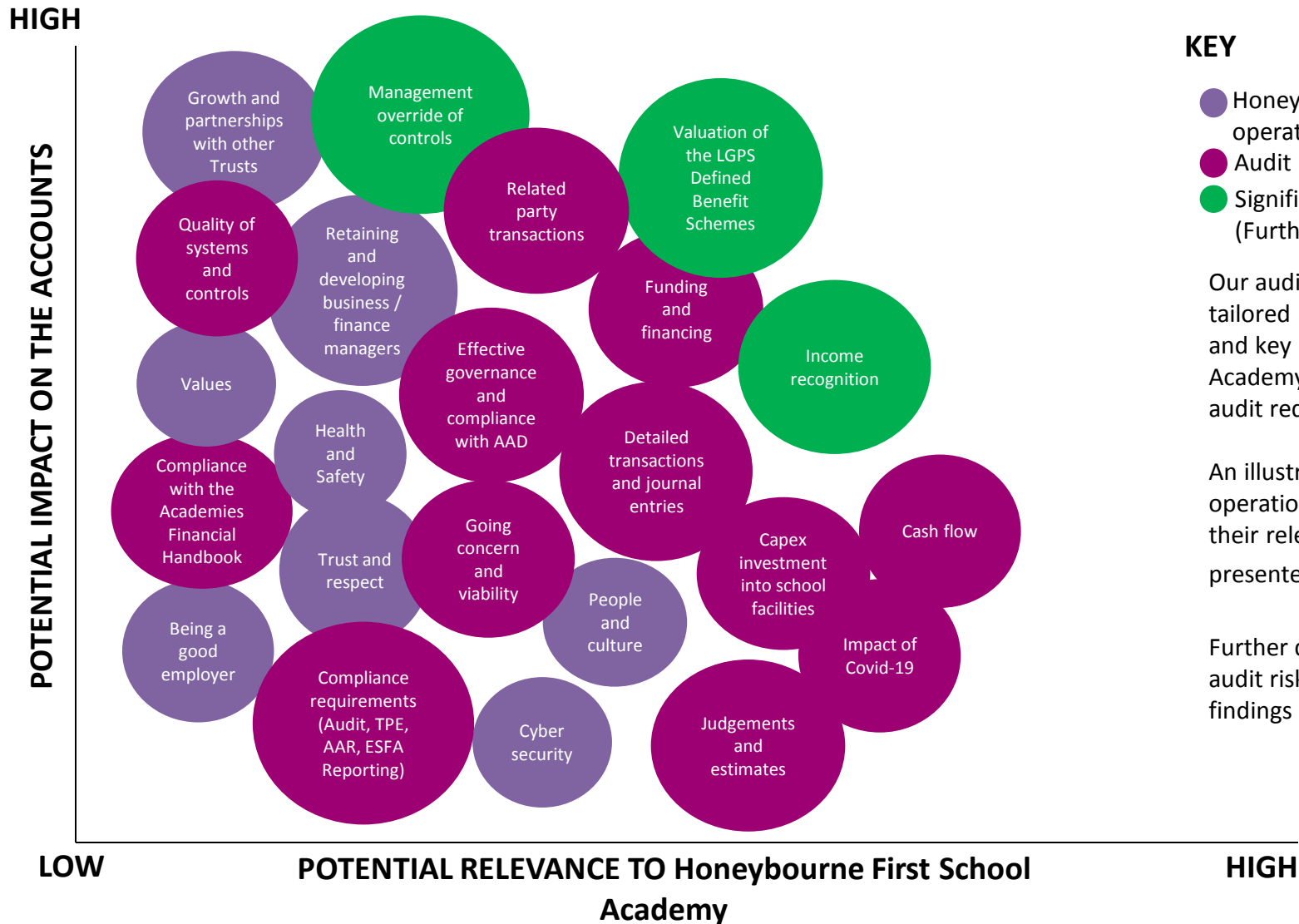
Fieldwork & Completion

The audit team were then on site on 1st and 2nd November 2021.

Audit completion involves pulling together the findings from the audit fieldwork and concluding on the audit overall. Work is undertaken in order to communicate with the academy and ensure our overall opinion on the financial statements are reasonable. This work is undertaken in Randall & Payne's offices following completion of the fieldwork and accounts preparation.

Following the preparation of the audit completion, Ryan reviewed the file, ready for the accounts and Reports to Governors to be distributed prior to a meeting whereby they are then approved and signed

THE AUDIT RISKS - OVERVIEW



KEY

- Honeybourne First School Academy operational matters
- Audit matters
- Significant Audit Risk for FY21 (Further details overleaf)

Our audit work has been planned and tailored accordingly to current operations and key events of Honeybourne First School Academy and any routine sector specific audit requirements.

An illustrative example of how these operational matters link with our audit and their relevance to your Academy is presented left.

Further details regarding the significant audit risks, our audit process and related findings can be found through this report.





THE AUDIT RISKS – SIGNIFICANT RISKS DETAIL

Revenue recognition

Key area of audit focus	Our approach	Findings	Conclusion
<p>An inherent risk in the academy is the recognition of revenue and ensuring that cut-off is appropriately treated.</p> <p>With the teaching period inactive over the summer period, the risk is reduced of misstatement, as there is a larger window of reduced operation. However, it is still key to ensure that any other income is appropriately recorded in the accounts.</p> <p>With some grants being due in the year but payments falling across a different year end, it is important that any income due is accrued for accordingly.</p>	<p>Obtain external confirmations of the amount of grant expected to be received and assess the source documentation upon which this is based (e.g. census for Pupil Led Funding and capital bids for any CIF funds). Ensure that amounts received in the bank agree to payment schedules or income is accrued for accordingly.</p> <p>For other income (i.e. trip income, sales of goods, lettings), ensure that any initial documentation triggering the sale (i.e. booking form, letting calendar) agrees to the invoices being raised and monies received.</p>	<p>Grant income appears appropriately recognised in the accounts with a few transactions posted to the incorrect nominals which have now been reallocated. An adjustment has also been made to accrue for the Pupil Premium income of £7,001. The full capital grant of £307,481 had been accrued within the management accounts, however given that £182,284 has already been received in the year, we have adjusted accrued income to the difference between the two (£125,197).</p> <p>Our testing did not identify any items of other income which has not been appropriately recognised in the accounts. Academy debtors have also been deemed recoverable, therefore giving satisfaction that the income is indeed free from material misstatements.</p>	<p>Income has been presented appropriately in the accounts and in accordance with the accounting standards.</p>

Management override			
Key area of audit focus	Our approach	Findings	Conclusion
<p>ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities. In particular, we consider there to be a risk of management override of controls attributable to areas that management are required to make subjective judgements, for example in respect of significant accounting estimates that involve making assumptions and considering future events that are inherently uncertain. We consider this risk both at an individual estimate level and in aggregate, across all estimates and judgements made.</p>	<p>A review of the systems and controls was undertaken to ensure that these were sufficient. A walkthrough test on each area was also carried out to ensure that systems were being followed.</p> <p>Journal adjustments through the system were also reviewed.</p> <p>Key accounting estimates will be reviewed for bias in comparison to sector- and academy-specific items.</p> <p>We will consider whether any of the transactions reviewed at any point of the audit are significant or unusual or outside of the academy's normal course of business.</p>	<p>Our audit findings did not highlight weaknesses or issues of a significant nature.</p> <p>Estimates and accounting policies used in the accounts appear reasonable and in line with expectations as well as allowable under the Accounts Direction.</p> <p>No unexpected unusual transactions were identified as part of the audit.</p>	<p>There were no issues identified through a review of the systems and controls.</p>

<i>Related party transactions</i>			
Key area of audit focus	Our approach	Findings	Conclusion
<p>With the growing publicity that academies are receiving, it is important to ensure that related party transactions are disclosed accordingly in the accounts.</p> <p>For those over the de minimis of £2,500, it is then important to ensure that the transaction has occurred at cost for the supplier and is disclosed as such.</p> <p>Further, the Handbook states that related party transactions must be disclosed to the ESFA prior to taking place.</p> <p>The Academies Financial Handbook requires governors business and pecuniary interests to be disclosed on the academy’s website.</p>	<p>Review the declarations of interest and ensure that any transactions identified have been appropriately approved and disclosed in the accounts.</p> <p>Perform searches on the directors and shareholders to identify any other entities that the company may have transacted with.</p> <p>Ensure disclosures with related parties are appropriately disclosed and in accordance with the Accounts Direction.</p>	<p>We have not identified transactions for disclosure within the financial statements which is in line with the clients confirmation.</p> <p>No transactions with parties that are considered to be related to the Trust were identified for further disclosure.</p> <p>The academy have not disclosed the governors business and pecuniary interests on their website.</p>	<p>Related party transactions appear to have been appropriately disclosed and appear reasonable in the accounts.</p> <p>However, the declarations of interest have not be disclosed on the academy’s website and therefore, this is a regularity qualification.</p>

<i>Going concern</i>			
 Key area of audit focus	 Our approach	 Findings	 Conclusion
<p>Many academies are seeing reducing income and increased expenditure through pension commitments and other staff costs, budgets are tightening and reserves held are being affected.</p> <p>This risk that the Trust is not a going concern has an effect on the way in which the accounts are prepared and any opinions on the future of the academy, and as such is a key area of focus for our audit.</p>	<p>Discuss the activities of the academy in the current year and how future plans will effect the financial results going forward.</p> <p>Review budgets and forecasts submitted to the ESFA during the year and assess the basis upon which they have been prepared.</p> <p>Audit the academy’s trading and cash flow forecast. Agree the mathematical accuracy of the forecasts made by management;</p> <p>Audit the key management assumptions in relation to future income, capital expenditure, working capital movements, cost savings initiatives included in the forecast and assumptions included in relation to the impact of COVID-19 and;</p> <p>Evaluate the adequacy of the Governors disclosure of their basis for determining that the going concern basis of preparation of the financial statements is appropriate.</p>	<p>The Academy Trust continues to work hard to ensure that cashflows are sufficient to maintain the ongoing operations.</p> <p>Due to the nature of the funding largely being driven by pupil numbers there is an increased pressure to maintain PAN and reduce costs elsewhere. However the Academy clearly has tight budgeting and monitoring of procedures to ensure costs are kept within limits.</p> <p>The Academy is predicting a surplus for the next three years and therefore, it appears that the going concern conclusion is supported. There are controls in place to closely monitor costs and this surplus will add to the academy’s healthy reserves balance.</p>	<p>We consider the Trust to continue as a going concern.</p>

Valuation of Defined Benefit Pension Scheme			
Key area of audit focus	Our approach	Findings	Conclusion
<p>The actuarial assumptions used to value the pension schemes (Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS")) are inherently judgemental and sensitive to change.</p> <p>Due to the significance of the value of the pension obligation, a small change in any of the key assumptions could result in a material difference to the amounts recorded in the financial statements.</p>	<p>Using external data, we benchmarked the key actuarial assumptions used by the management expert, in determining the pension obligation.</p> <p>A walkthrough of the Academy's financial reporting close process and key controls around processing the pension journals;</p> <p>We assessed the competency of the management expert providing the valuation with reference to their qualifications as Fellows of the Institute and Faculty of Actuaries (FFA) and assessed the independence and objectivity of the personnel providing the valuation report.</p>	<p>Our audit procedures in this area did not identify any issues with respect to the assumptions made by management in valuing the liabilities of these pension schemes.</p>	<p>No issues were identified in the course of our work.</p>

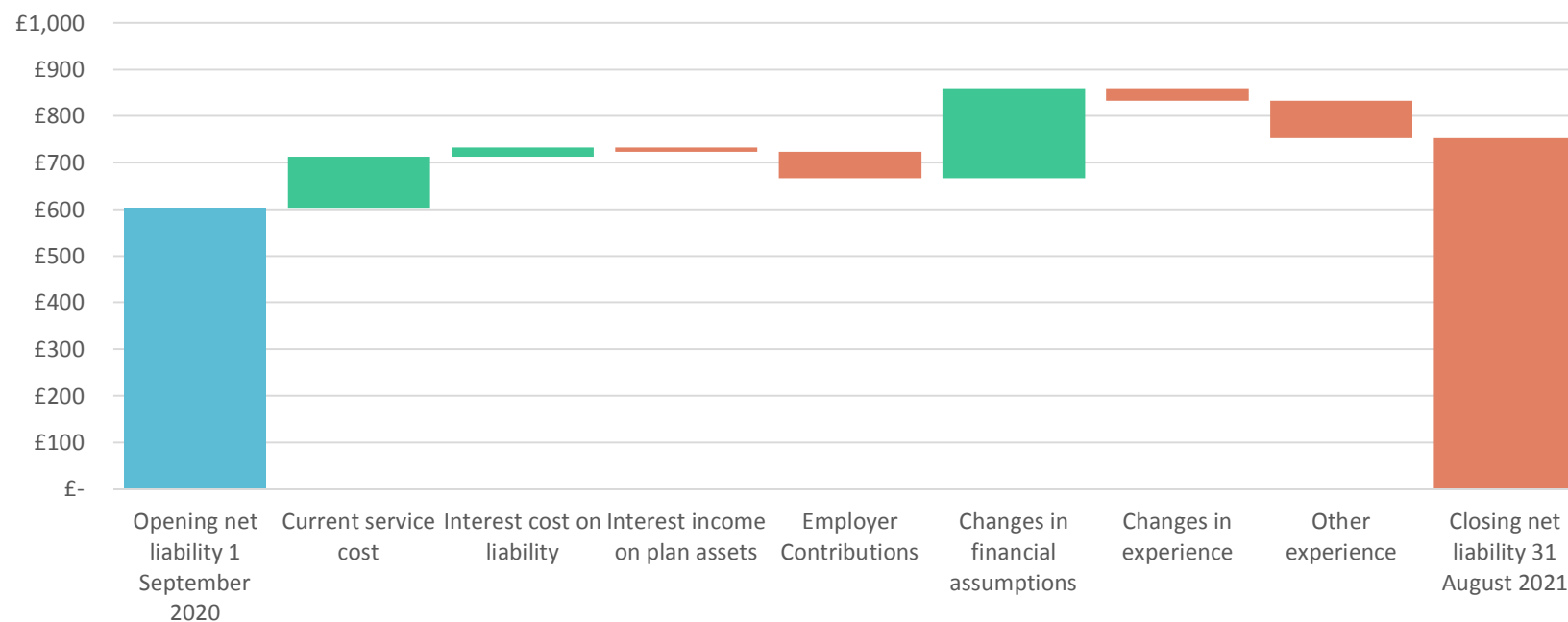
Key assumption	Outside range	Within range	Median	Within range	Outside range
Discount rate	○	○	●	○	○
CPI Inflation	○	○	●	○	○
Increase in salaries	○	○	●	○	○
Mortality improvement	○	○	●	○	○

Accounting for defined benefit plans is much more complex than the accounting for defined contribution plans. It requires the use of actuarial techniques (such as discounting) and assumptions (such as mortality, interest rates and investment returns) to measure the obligation and expense.

The key steps for Honeybourne First School Academy is:

- In the statement of financial position (balance sheet), recognise a defined benefit liability being the net of:
- a liability, termed the defined benefit obligation, for benefits payable, less
- plan assets, being the assets held to meet the obligation
- In the Statement of Financial Activities, recognise the cost of the defined benefit plan, being the movement in the defined benefit liability adjusted for payments into and out of the plan. This cost is an aggregation of changes in the defined benefit obligation and changes in plan assets.

The component changes in the Net Liability in the year to 31 August 2021, as presented in the financial statements is as follows:



Movements in assumptions for the year have had a significant impact on the DB Pension Liability. The key reasons behind this are:

COVID-19

The main impacts of the COVID-19 pandemic, and subsequent lockdowns, on these accounting figures can be summarised as follows:

- Asset returns and values have followed the market movements prompted by the pandemic and lockdowns, among other factors, which will therefore affect the asset share value;
- Bond yields and inflation expectations have also followed market movements, which will therefore affect the obligations value.

SOFA IMPACT

The current service cost and net interest cost is broadly in-line with the projections made in the prior year.

The projected charge to P&L for next year is likely to significantly increase compared to the charge for this year, as a result of the significantly lower real discount rate.

MOVEMENT IN
DEFINED BENEFIT
PENSION
LIABILITY
[£149K]

OBLIGATIONS

The real discount rate has fallen compared to the previous year. This is due to the combination of a slightly lower discount rate assumption and a significantly higher CPI assumption.

These factors have given rise to a significant loss on the Employer's balance sheet.

For a typical academy with a duration of 25 years, this could be of the order of 20% of total obligations.

ASSETS

Investment returns in the period have been significantly greater than expected (compared to last year's accounting discount rate assumption).

This has given rise to a large positive item in 'Return on assets excluding amounts included in net interest' line within the Balance Sheet.

OTHER AREAS OF AUDIT TESTING

GOVERNORS AND RELATED PARTY TRANSACTIONS

No matter on the value, Governor and other related party transactions are required to be disclosed in the accounts as per the accounting standards. Our work is to ensure that the disclosures are complete and accurate, and it appears that this is indeed the case for the remuneration earned and transactions with Governors and any related parties.

The Academies Financial Handbook requires governors interests to be listed on the academy's website. These were not disclosed on the website at the time of our testing and therefore this is a regularity qualification.

Through review of the minutes, it was noted that the governors had not discussed the findings of the internal assurance. We recommend that all reviews and findings are discussed to address any weaknesses identified.

INCOME AND DEBTORS

Most of the income received by the Trust is in the form of grants, for which our work involves ensuring that the amount disclosed in the accounts matched this documentation, and has been disclosed in the appropriate fund. A few transactions had been incorrectly allocated and have therefore been moved during the audit.

Other income received, such as lettings, catering income and trip income, was also reviewed to ensure that these were appropriately recognised in the accounts, no issues were identified.

Debtors and accrued income were assessed at the year end to ensure recoverability and, therefore, valuations were reasonable. An adjustment has been posted to correct the amount of accrued capital income. Further details on this can be found on page 7.

FIXED ASSETS

Audit work done on fixed assets is to ensure that they are complete, valued appropriately, physically exist and are the ownership of the academy.

A sample of fixed assets in the asset register were selected and audit testing identified £3,560 of non capitalisable items which have been removed from fixed assets. £8,742 worth of items were identified which had not been capitalised, however they were above the capitalisation policy amount and therefore an adjustment has been made to capitalise the items.

It was identified that a number of items below the capitalisation policy of £500 were capitalised. Whilst the total of the items was not material, this is not in line with the Academy Trust's policy and therefore, we would recommend not capitalising such items in the future unless the capitalisation policy is amended and agreed by the Governors. An unadjusted error of £3,407 has been included for these items.

The land and property was reviewed, and it was confirmed that it was in the name of the academy, and values appear comparable to the information disclosed on the insurance documents.

Any repairs and renewals and other related costs attributed to the SOFA were also reviewed to ensure that they also should not be capitalised, and have been expended in the year.

BANK AND CASH

A review of a sample of transactions through the bank did not highlight any issues, and the controls and systems in place appear satisfactory, with no suggested improvements identified.

The bank balance was also agreed through to an audit bank letter confirming the balances at the year end.

A sample of charge card was also reviewed, as this is a key area susceptible to potential misappropriation of funds. No issues were identified from the year end review.

We are aware of some issues between Lloyds bank and the academy in the year, whereby only the Finance Secretary had access to online banking. However, we understand that it was not possible for any payments to be processed without approval and therefore is not deemed to be a significant risk.

PURCHASES AND CREDITORS

We tested a sample of purchases made through the Academy, and this test did not highlight any issues, and the cut-off of expenditure in the accounts appears reasonable. Therefore, expenditure does not appear to be materially understated in the year.

Expenditure post-year end was reviewed to ensure that this was included in the appropriate year. There were no issues, so accruals and creditors do not appear to be materially misstated.

We have one recommendation to make in relation to tendering. There was an instance where the tendering procedures were followed, however the decision of which contract to opt for had not been formally documented within the minutes. We recommend that decisions of this kind are discussed within meetings and minuted to show that governors are considering value for money.

PROVISIONS

We reviewed the post balance sheet events to establish whether there are any events that may be disclosable in the 2021 accounts. No items were identified, following confirmation from management.

WAGES AND SALARIES

There were no issues identified in a review of the systems, specifically detailing how joiners and leavers are dealt with in the academy.

A sample of employees were selected, and various checks were undertaken including confirming actual pay to documented pay (approved records, contract, terms of engagement etc.), reviewing tax calculation processes and ensuring existence of staff being paid.

Whilst we were able to agree employees pay per the payroll reports to a record of contracted salaries held by the client, we would recommend issuing letters to employees when there is a change in their contract/salary and keeping a record of these.

One employee appeared to have been overpaid by £10.26. Whilst this is deemed trivial, we would recommend that this is paid back by the employee and regular reviews and calculations are completed to identify such errors.

JOURNALS

As noted in the significant risk section of this report management override is a key area that we need to be aware of in all audits. A review of a sample of journals was undertaken to ensure that the financial records had not been altered in such a way to materially impact the figures against the usual activities of the company. Our testing did not appear to highlight issues of this type and we are satisfied with the journal review and approval processes in place at the Academy.

During the accounts preparation, there are inevitably adjustments that are required in order align your management accounts with the statutory accounts format. These are as follows:

ADJUSTMENTS MADE IN THE ACCOUNTS PREPARATION PROCESS		£
Surplus/(Deficit) per TB		(£864,833)
<i>Items capitalised</i>		£761,876
<i>Depreciation adjustment</i>		(£71,079)
<i>Posting of accruals and deferred income</i>		(£20,574)
<i>Posting of prepayments and accrued income</i>		£17,420
<i>FRS102 pension adjustment</i>		(£64,000)
<i>Posting accrued capital income and reversing the income already received</i>		£125,536
Surplus/(Deficit) per accounts		(£115,656)

The above adjustments have been agreed by the Finance Secretary and have been adjusted for in the accounts for the period ended 31 August 2021.

The below adjustments have not been adjusted for within the accounts as they are not deemed material.

UNADJUSTED ERRORS IDENTIFIED DURING AUDIT		£
<i>Fixed assets capitalised below the capitalisation policy</i>		£3,407

UNADJUSTED AUDIT MISSTATEMENTS

A summary of the unadjusted errors identified during the course of our work can be found on page 16. No further unadjusted errors have been identified.

We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit.

ADJUSTED AUDIT MISSTATEMENTS EXPLAINED

Fixed assets

During the audit work, we identified £8,742 worth of assets which had not been capitalised, therefore an adjustment was posted to recognise these as additions. £3,407 worth of assets were removed as these were not deemed capitalisable. Assets under construction of £853,855 were also moved to recognise as completed assets. Therefore, the depreciation of the completed assets and the newly recognised assets was posted and amounted to £31,060.

Accrued income

The full capital income of £307,820 was recognised as accrued income in the financial year, however the full amount had been accrued in prior year and £182,284 was received in 2020/21. Therefore the amount left to accrue is the full amount, less the amount received which leaves a balance of £125,197. An adjustment was also posted to recognise £7,001 of accrued pupil premium income.

Accruals

A Leon Building invoice had been double counted in the period within accruals as well as trade creditors. Therefore, an adjusted of £32,220 was posted to remove from accruals.

LEVEL OF UNADJUSTED AUDIT DIFFERENCES RELATIVE TO MATERIALITY	
Impact	
< £NIL	> MATERIALITY (ISSUE)



INTERNAL SYSTEMS AND CONTROLS

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Overall, considering the size and nature of the entity, it is considered that Honeybourne First School Academy has an acceptable overall system of internal control in the year with some areas for improvement noted.

Accordingly, there were some deficiencies in control, none of which are considered “significant deficiencies in internal control” (i.e. could give rise to a material error in the accounts) identified during the audit process, and it appears that the level of controls and systems in place is sufficient to mitigate risks of material misstatement and override.

A review of the points raised at the systems audit are presented overleaf.



MANAGEMENT ACCOUNTS



Comment at interim	Improvement to be actioned	Year-end comments
<p>It was noted that the monthly management accounts consist of Revenue Income and Expenditure along with variations to budget and a cashflow report. However it was found that a balance sheet is not produced as part of the monthly management accounts.</p>	<p>According to the Academies Financial Handbook the following is required: ‘The format of monthly management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet’. Therefore we advise that a balance sheet is produced as part of the monthly management accounts as this will improve compliance and governors are able to review asset/liability balances.</p>	<p>A balance sheet does not appear to have been added to the monthly management accounts following our recommendation at interim. Given that this is a requirement of the Academies Financial Handbook, this also constitutes a regularity qualification.</p>

WEBSITE DISCLOSURES



Comment at interim	Improvement to be actioned	Year-end comments
<p>It was identified during testing that the Governors listed on the website have not yet been updated for 2020/21.</p>	<p>To update the governors list on the website when there has been a change to ensure this is up to date.</p>	<p>The website has been updated to show the Governors for 2020/21, however their interests are not listed on the website. This is a regularity qualification.</p>



MEMBERS AND GOVERNORS

Weakness	Potential consequence	Year-end comments/ recommendation
The academy have only appointed one member who is also a governor.	The Academies Financial Handbook states 'The academy trust must have at least three members, although the Department's strong preference is that trusts should have at least five members' and 'There should be significant separation between the individuals who are members and those who are trustees'.	There has been no change in members and therefore the minimum of three members has not been met. This breaches the requirements of the Academies Financial Handbook and has been reported as such in our regularity assurance report.

COMPANIES HOUSE



Weakness	Potential consequence	Year-end comments/ recommendation
A Governor who has resigned is still showing on Companies House.	Update Companies House as soon as there are any changes in governors. Appointments and resignations should be registered at Companies House within 14 days.	The governors on Companies House and the one employee identified during interim is now showing as resigned.

JOURNALS



Weakness	Potential consequence	Year-end comments/ recommendation
The audit trail was not signed during the month end checks.	Ensure that the audit trail is reviewed and signed during the month end checks in order to authorise the journals posted within the month.	No issues have been identified during year end.

PAYROLL



Weakness	Potential consequence	Year-end comments/ recommendation
<p>A member of staff who was once on a temporary contract had not been issued a new permanent contract. Updated contracts/salary letters are not issued where there is a change in contract which made it difficult to agree the pay. The system was used to agree the salary in some instances.</p> <p>One employee was paid on the incorrect pay scale, however this was identified and is being paid back monthly to the school.</p>	<p>Issue updated contract/letter where there has been a change in contract i.e. salary or hours.</p> <p>Perform month end checks on payroll. Agreeing salary per payroll to contracted salary and investigating any differences to ensure mistakes are rectified in a timely manner.</p>	<p>This is a recommendation going forward as there is very little on file to document changes. Therefore, this will be reviewed in the next financial year.</p> <p>A proof in total was performed to ensure the overpayment was paid back and this appears to have been received in full. Although, another instance occurred whereby an employee was overpaid. Therefore we would like to stress the importance of the month end checks to identify discrepancies.</p>

INCOME



Weakness	Potential consequence	Year-end comments/ recommendation
<p>We were not able to obtain a remittance for one grant income transaction.</p>	<p>Ensure remittances are obtained and kept on file. We note that the value of the transaction was trivial.</p>	<p>We were able to agree to remittances/supporting documentation for all those within our sample. Therefore, we believe this was an isolated incident.</p>



ACCOUNTING FOR JUDGEMENTS & ESTIMATES

As part of the audit standards and in line with our audit processes, we are required to obtain an understanding as to the rationale behind accounting estimates and judgements taken by management. As such, we have reviewed the following areas (which we consider to represent the key judgements and estimates in the accounts)

Judgements & Estimates applied within:	Prudent (audit issue)		Balanced Judgement		Optimistic (audit issue)
Management override of controls	○	○	●	○	○
Income recognition	○	○	○	●	○
Depreciation rates applied	○	○	●	○	○
Accounting for assumptions in Defined Benefit Pension Scheme	○	○	●	○	○
Going concern	○	○	●	○	○
Related parties	○	○	●	○	○

Explanation of any judgements / estimates which are not considered to be balanced

The full capital funding had been accrued, however a proportion had already been received and the accrual should have been lower. Therefore, income recognition is considered slightly optimistic.

SUMMARY STATUTORY AUDIT OPINION

As a result of the audit work we have undertaken, we have concluded that the financial statements appear to be free from material misstatement. Therefore the report contained within the draft financial statements will become the audit report in the final financial statements, subject to satisfactory clearance of any outstanding matters. This is the standard unmodified audit report in line with the ESFA's expectations. The audit opinion specifically written in the accounts will be as follows:

In our opinion the financial statements:

- *give a true and fair view of the state of the Academy's affairs as at 31 August 2021 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and*
- *have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021 issued by the Education and Skills Funding Agency;*

In our opinion, based on the work undertaken in the course of the audit:

- *the information given in the Governors' Report including the Strategic Report for which the financial statements are prepared is consistent with the financial statements;*
- *the Governors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.*

SUMMARY REGULARITY AUDIT OPINION

It is a requirement of the ESFA for the auditors of academies to include a Statement on Regularity within the Governors' Report and financial statements. This report will be stated separately and in addition to the above statutory audit opinion. The accounting officer statement on regularity, propriety and compliance forms the basis of an enhanced 'regularity audit' that will provide assurance to both the Honeybourne First School Academy and the ESFA on the use of the Honeybourne First School Academy's funds. The auditor's opinion of regularity is addressed jointly to the governing body and to the ESFA.

From the work undertaken as part of the audit, the sample selected of income and expenditure appears to be in line with the scope of the purposes intended for them by the Education and Skills Funding Agency or other government bodies.

The statement included within the accounts is as follows:

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2020 to 31 August 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- *The monthly management accounts do not include a balance sheet*
- *The governors interests were not disclosed on the academy's website*
- *The academy had one member in the period and at the year end*

UPDATE TO THE ACADEMIES FINANCIAL HANDBOOK

We recently published an article on our website which includes details of the Key changes to the 2021 Academies Trust Handbook which takes effect from 1st September 2021. The article can be accessed through the below:



POST-BALANCE SHEET EVENTS

Prior to signing the audit report, we will need to complete an up to date Post Balance Sheet Events Review. Please can you confirm that you are not aware of any events other than the legal case disclosed within the financial statements? This is included in the letter of representation.

Client Comments

We confirm that we are not aware of any events other than the legal case disclosed within the financial statements

LETTER OF REPRESENTATION

A letter of representation will be issued with the financial statements and we shall forward this for approval by separate cover.

Client Comments

The letters of representation have been reviewed and signed by the accounting officer

PROPOSED FUTURE CONTACT PROGRAMME

December 2021	Preparation and submission of your AAR by 25 January 2022
April 2021	Interim audit visit
July/August 2022	Preparation and submission of your TPA by the September deadline
September 2022	Accounts pick up
October 2022	Audit fieldwork
November 2022	Governors meeting to present management letter and financial statements

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

The International Standards on Auditing (UK and Ireland) 260 require us to communicate significant matters arising from our audit to you.

In accordance with our normal practice we have prepared this report to summarise the principal matters that came to our attention during the course of the audit, which may include:

- **Key accounting issues impacting on the financial statements**
- **Outstanding matters to complete the audit**
- **Our views on accounting systems and controls**

Where an audit meeting is to take place, it can also be used as an agenda for the purposes of that meeting.

AUDIT COMMUNICATIONS

We explained our audit responsibilities and objectives, procedures and limitations in our letter of communications. This letter also explains our approach to reporting audit findings to management, taking account of your requirements as well as our professional responsibilities. This document discusses only the significant issues arising from our audit.

COMPLIANCE WITH ETHICAL STANDARDS

We are required to, and have complied with, the new and revised Ethical Standards issued by the Financial Reporting Council (FRC) and all threats to our independence, as identified to you in our planning communication letter, have been properly addressed through appropriate safeguards.

Randall & Payne LLP has procedures in place to ensure that its partners and professional staff comply with both the FRC's Ethical Standards and the Code of Ethics adopted by the Institute of Chartered Accountants in England and Wales.

No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

SCOPE OF OUR WORK AND FINAL REMARKS

The scope of our work has already been communicated to you via our Audit Communications letter dated 18 October 2021.

Matters may come to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily detect all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

We consider that the audit approach adopted will provide the Governors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications to our audit report as noted in section 9 of the report.

This report has been prepared for the sole use of the Governors of Honeybourne First School Academy and must not be disclosed to any third party, or quoted or referred to, without our prior consent. No responsibilities are accepted by Randall & Payne LLP towards any party acting or refraining from action as a result of this report.



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The firm is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services to clients because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.