

Tove Learning Trust

Audit Findings Report

Year ended 31 August 2020

Issued December 2020



Reporting to **you.**

We have pleasure in submitting our report to the Board of Tove Learning Trust (“TLT”), to set out the findings from our audit of the statutory financial statements of the Trust for the year ended 31 August 2020. Auditing Standards require us to communicate with “those charged with governance” various matters from our audit including:

- our views about significant qualitative aspects of the Trust’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures,
- significant difficulties, if any, encountered during the audit,
- any significant matters arising during the audit and written representations we are requesting,
- circumstances that affect the form and content of our Auditor’s Report, if any, and
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.

This report, therefore, provides a record of the points we believe should be brought to your attention before you approve the statutory financial statements. The matters included have been discussed with management during our audit and we have incorporated their comments and/or proposed actions where relevant.

We welcome the opportunity to discuss this report with you and receive your feedback.

We would like to express our appreciation for the assistance provided to us by your team during our audit for their kind and professional help throughout.

Helen Drew

Senior Statutory Auditor
Crowe U.K. LLP

Please note that this report is prepared solely for the Members and Officers of TLT for you to consider in line with your governance structure. We accept no duty, responsibility or liability to any other parties since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Helen Drew

Audit Partner
T 0121 543 1903
E Helen.Drew@crowe.co.uk

Matt Doyle-Healey

Audit Director
T 0121 543 1914
E Matt.Doyle-Healey@crowe.co.uk



Click to download Crowe’s latest transparency report

Structure of this report.

The
overview

Audit status

What matters most

Misstatements and adjustments

Qualitative elements of reporting

Going concern conclusions

The
detail

Audit findings – Significant risks

Audit findings – Other risks including regularity and propriety reporting

Other matters arising from the audit

Systems and controls relevant to the audit

Adjusted and unadjusted misstatements

For
reference

Appendix 1 – A reminder of scope and some key responsibilities



Schools covered in this report

This report sets out our key findings from the audit of TLT, which incorporates the following schools:

- Sponne School
- Lord Grey Academy
- Rushden Academy
- Grace Academy Solihull
- Grace Academy Darlaston
- Grace Academy Coventry
- Elizabeth Woodville School
- Wootton Primary School

Audit status.



At the time of writing, our audit work is substantially complete and, subject to satisfactory clearance of the outstanding items below, we expect to sign an **unqualified** and **unmodified audit opinion** on the financial statements.

Open item	Opinion risk*
1 Finalisation of post-fieldwork review	Low
2 Receive signed letter of representation (to be provided at the time of financial statements approval/signing.)	Low
3 Final review of the financial statements.	Low

* The likelihood that this item could affect our expected audit opinion - Low/Med/High

COVID19 – limitations on our work

To complete our audit this year we have had to work with your management team to adapt, reschedule and move on-line some of our audit processes to meet the Covid-19 related distancing restrictions. These changes have limited some of our direct access to your premises, staff and on-site records.

We have therefore had to assess the overall impact of this on our audit and, in particular, whether we have been able to obtain sufficient audit evidence on which to base our audit opinion.

We are pleased to report that we have been able to complete our work as planned and have no limitation issues to report.



Changes to our audit plan?

No circumstances or matters arose which required us to modify our planned approach as set out to you in our Audit Planning Letter.



Restrictions on our work?

There were no restrictions or limitations placed upon us. We were able to complete our audit work as planned.



Ethical considerations?

We remain satisfied that there are no matters which compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff.



Audit opinion?

Subject to the satisfactory clearance of the open items above, we have obtained sufficient audit evidence to enable us to provide our audit opinion

What matters **most.**

We have summarised the following findings from our audit work as being most critical to the financial statements. Further detail is included throughout this report.

Critical matter	
1	Going concern conclusion and Covid19 impact In light of the ongoing pandemic, and the introduction of the Lakes schools into TLT we have reviewed your budgets and longer term forecasts that support managements going concern assessment. We consider these budgets and forecasts to be based on reasonable assumptions and have therefore accepted your assessment that the trust is able to continue as a going concern.
2	Narrative report There have been several updates to narrative reporting this year, notably S172, Streamlined Energy and Carbon Reporting and COVID-19. From our review, disclosures comply with the relevant standards and disclosures are considered reasonable.
3	Transfer of Wootton Primary School We have reviewed the various lease agreements relating to the Wootton land and buildings that have transferred into TLT from 1 Feb 2020. In summary there are three land transfers which will need to be accounted for at fair value as a transfer into TLT from 1 January 2020. An entry has been made in the financial statements based on an estimation of the fair value of £2 million.
4	Management Override of Controls Auditing standards require us to consider this as a significant audit risk area. We have reviewed significant account estimates and judgments, controls around journals, detailed review of journals made in the year and review of significant transactions outside the normal course of business. We are pleased to confirmed there were no issues raised as a result of this work.

Has there been satisfactory clearance of audit work in respect of:

Matters relating to fraud? ✓

The validity of assumptions made in adopting the going concern basis of preparation? ✓

Matters relating to related parties? ✓

Matters relating to compliance with relevant laws and regulations? ✓

Material disclosures within the financial statements? ✓

Trustees' Report narrative? ✓

Choice and application of material accounting policies? ✓

Significant estimates and judgements employed in the preparation of the financial statements? ✓

Compliance with regularity and propriety reporting? ✓

What matters **most.**

We have summarised the following findings from our audit work as being most critical to the financial statements. Further detail is included throughout this report.

Critical matter	
5	<p>Completeness of Income</p> <p>Completeness of grants and other income including the consideration of any clawback of grants was considered a significant risk at planning. Included within accrued income was a grant for £126,000 from Northampton County Council for a capital project. From review of the grant documentation, entitlement only passes to the trust once the trust has incurred the cost on the specific project. TLT will then make a claim for reimbursement. The costs associated with this project have been incurred in 2020/21 and so that grant should be recognised during the following academic year.</p>
6	<p>Coronavirus exceptional funding</p> <p>A school may only claim for Coronavirus exceptional funding if the constituent school making the claim has a brought forward, and/or budgeted in-year deficit. Sponne has generated a surplus as at 31 August 2020 (excluding depreciation) and so the claim amount of £18,125 has not been accounted for in the financial statements (as management believe it will repayable to the ESFA). We recommend advising the ESFA that the claim was made within the spirit of the guidance at the time of claiming, with a view to seeking clarification on whether TLT may retain the income.</p>
7	<p>Exam fee credit notes</p> <p>With the cancellation of the summer exams, boards have started to issue credit notes to refund schools. As the refunds relate to a service that should have occurred within 2019/20 these refunds should be accounted for within 2019/20.</p> <p>Approximately £74,000 of credit notes have been received post year end and one may reasonably expect a further £70,000 based on the estimated total exam fees incurred in 2019/20 multiplied by the average discount of 23%. This amount is recorded as an unadjusted error within the summary of unadjusted errors further in this report.</p>
8	<p>Regularity opinion</p> <p>The Academies Accounts Direction states that as external auditors we must also produce a report providing a conclusion on regularity. We are pleased to inform you we expect to issue an unqualified Regularity Opinion. We have not identified any regulatory matters that we consider should be brought to your attention.</p>

Misstatements and adjustments.



Materiality

We do not seek to certify that the financial statements are 100% correct; rather we use the concept of "materiality" to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment.

The assessment of materiality is a matter of professional judgement but, overall, a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

We have reviewed our planned level of materiality and are satisfied it remains appropriate.

As set out in our Planning Letter, we do not report errors to you where we consider the amounts to be trivial and for this purpose we determine the planned trivial level of £32,500 to remain appropriate.

Summary of adjusted misstatements	Surplus/ (Deficit) £	Assets £	Liabs/reserves £
Draft financial statements	-314,118	136,326,809	-20,640,055
Adjusted misstatements	1,791,283	-283,323	-104,600
Actuarial valuation movements in relation to LGPS	-4,886,000	-182,415	4,886,000
Final financial statements	-3,408,835	135,861,071	-25,421,455
Summary of unadjusted misstatements	Surplus/ (Deficit) £	Assets £	Liabs/reserves £
Final financial statements (above)	-3,408,835	135,861,071	-25,421,455
Total potential adjustments	144,000	144,000	-
Potential result and position if processed	-3,264,835	136,005,071	-25,421,455
Systems and controls items relevant to the audit	Significant deficiencies*	Other systems points	
Number of current year items	None	Eight	
Number of open items from prior year audit findings	None	Two	
Number of cleared items from prior year audit findings	None	Seven	

Qualitative elements of the financial statements.



Here we comment on the **qualitative elements** of your financial statements, such as narrative reporting, the application of accounting policies and disclosure notes, including those relevant to significant estimation techniques and judgments made.

Narrative reporting:

We have reviewed the Trustees' Report, Governance Statement, Statement of Regularity, Propriety and Compliance and The Statement of Trustees' Responsibilities of TLT to consider whether they are consistent with the financial statements and prepared in accordance with the relevant legal framework. We have also reviewed the financial statement disclosure notes.

- We have no issues to report – the reports and financial statement disclosures appear consistent with the financial statements and the information presented to us throughout our audit work.

Areas of significant estimate and judgment

We have considered those areas where management has used significant estimates and judgments in the preparation of the financial statements. Our key findings are summarised below.

The present value of the Local Government Pension Scheme defined benefit liability

This is dependant on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate.

The wording included in the financial statements is considered reasonable based on sector norms and by reference to the Academies Accounts Directions 2019/20

Valuation of the land and buildings in relation to converted academies

The valuation of the Wootton school land and buildings is subjective and an assessment has been made by management to determine the value that should be placed upon the gift of these assets into the trust. Further details are set out later in this report but in summary, we have concluded that the estimate is based on reasonable assumptions.

The wording included in the financial statements is reasonable and the estimation considered reasonable.

Selection and application of accounting policies

Accounting policies are relevant to the entity?



Accounting policies are consistently applied?



Accounting policies are clearly disclosed – neither excessive nor insufficient to provide necessary understanding by the reader?



Where company law or the financial reporting framework permits management to make a policy choice, it is clear which option has been taken?



Going concern - conclusions.



After reviewing your assessment of going concern, we concur that **the going concern basis of preparation is appropriate and disclosures relating to going concern are adequate.**

Key elements of our work included:	Outcome	Clear?
Discussions with The Board and management	Satisfactory – no significant items to note	✓
Review of your budgets/forecasts for 2020/21, including whether relevant Covid-19 implications have been considered	Satisfactory – no significant items to note	✓
A high level review of your 3 year budgets/forecasts	Satisfactory – no significant items to note	✓
Comparison of the previous years budget to actual outturn to assess for reasonableness, key movements have been discussed with management	Satisfactory – no significant items to note	✓
Consideration of your assessment of sector risks, including funding levels, pupil numbers, exam results and availability of personnel	Satisfactory – no significant items to note	✓
Assessment of your key assumptions, judgments and estimates	Satisfactory – no significant items to note	✓
Review of disclosures relating to going concern	Satisfactory – no significant items to note	✓

Your assessment of going concern

We explained in our Planning Letter that in preparing the financial statements to comply with Financial Reporting Standard 102 The Board and management are required to make an assessment of the Trust's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, The Board and management are required to consider all available information about the future of the organisation in the year of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

Your going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

Your going concern assessment has concluded that there are no material uncertainties in respect of the going concern assumptions.

Response to audit **risks.**

The right side of the slide features several parallel, diagonal lines in a golden-yellow color, extending from the top right towards the bottom right.

Audit findings - Significant audit risks.



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Management override of controls

In any organisation, management are best placed to circumvent systems of internal control.

International Standards on Auditing (ISA 240) presumes this area to be a significant audit risk.

Key elements of our work included:

- We have reviewed the system for the generation, authorisation and posting of journal entries. We have performed a review of material journals posted for evidence of journals that may be considered unusual and/or which fell outside of our expectations for the size and nature of the entity.
- We have considered audit adjustments identified from our audit work for evidence of bias in reporting.
- We have considered significant estimates and judgements employed by management for evidence of bias. We also consider whether there is evidence of any significant transactions arising outside of the normal course of business.

Crowe comments

- We did not identify any instances of management override of controls or other issues from our sample testing of the trust journals. All journals are subject to review, our assessment is that this is currently sufficient to adequately mitigate against erroneous journals.
- Management have made a number of necessary accounting estimates and judgements which impact the financial statements. We identified the assumptions adopted by management and used by the actuary to calculate the pension liability for specific audit review. We have reviewed these assumptions and we consider them to be reasonable when compared to the assumptions used by actuaries of similar academies.
- We have also considered the estimate placed on the Wootton land and buildings valuation and are satisfied that the estimation is based on reasonable assumptions and that the disclosures within the financial statements are sufficient and appropriate.

Audit findings - Significant audit risks.



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Completeness of grant and other income recorded in the financial statements

International Standards on Auditing (ISA 240) presumes there is always a risk of material misstatement due to inaccurate revenue recognition. This audit risk is common to most organisations and is not specific to TLT

Key elements of our work included:

- We have agreed the General Annual Grant through to the ESFA funding letter and receipts from the nominal into the bank;
- We have agreed a sample of other grant income from documentation to ensure correctly recorded and that any restrictions are adhered to;
- We have reviewed pupil censuses to ensure that pupil numbers are in line with the funding numbers and that any clawback of GAG is accurate;
- We have agreed a sample of other income from supporting documents, ensuring that income is correctly accrued/deferred as applicable and that any restrictions are adhered to;
- We have compared income recorded to budgets and to schedule of income that we believe the trust is entitled to.

Crowe comments

- Except for the matters outlined further in this report in connection with exceptional grant claims we have no matters to report to you regarding completeness of grant and other ancillary income.

Audit findings - Other audit risks.



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Regularity and propriety reporting

The Academies Accounts Direction states that as external auditors we must also produce a report providing a conclusion on regularity.

In order to do this we will follow similar procedures to those applied in order to provide assurance over any other financial statement assertion. However the level of work required to support a limited assurance conclusion may be less than that required to support a reasonable assurance conclusion.

The analysis needed to inform the regularity opinion goes beyond that required to support statutory audit work, but may involve normal sources of audit evidence as the evidence base is the same. In many areas, dual testing of the same sample could provide evidence to support both engagements.

Key elements of our work included:

- We have reviewed delegated authorities. There has been consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.
- We have reviewed transactions with related parties. There has been consideration and review of related party transactions, ensuring they took place at no more than “cost”; review of counter party declarations.
- We have confirmed the governance structure of the trust and reviewed the budgeting procedures and considered instances of irregular activities.
- We have considered the internal controls in place. This has included a review of authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- We have also reviewed other aspects of regularity including a consideration of “value for money”.

Crowe comments

- We note that claims were made under the “exceptional costs associated with coronavirus” grant for Elizabeth Woodville School (approximately £48,000), Rushden (approximately £11,800) and Sponne (approximately £18,100). A trust may only claim for these grants if the constituent school making the claim has either a brought forward, and/or in-year deficit. This is not the case for Sponne.
- We note that Lindsay identified this matter and brought it to our attention during the audit and that the associated income was not recognised in the trusts financial statements on the grounds that it was more likely than not that the amount will not be received, or will be repayable to the ESFA if received in the future.
- Further details are set out on page 32 to this report. We have not qualified our regularity opinion in this regard.

Audit findings - Other audit risks.



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Going concern

Under ISAs (UK) the revised audit report includes specific references to going concern. The trustees' assessment that the going basis is appropriate has increased emphasis and importance and this is therefore an area to which we are required to pay particular attention.

The assessment must be in respect of a year of at least one year from the date of approval of the financial statements.

Key elements of our work included:

- We have considered the review year performed by the trustees to assess the ability of the academy trust to continue as a going concern.
- We have examined budgets prepared by management covering the year of the going concern assessment to ensure these are appropriate
- We have reviewed any other documentation which the trustees use in assessing the going concern status and made any necessary enquiries of management
- An overview of the going concern work covered has been provided earlier in this report.

Crowe comments

- We note that in-year surpluses of approximately £245,000, £500,000 and £860,000 are forecast for each of the next three years which will build on the closing reserves position of TLT as at 31 August 2020. The forecasts we have seen exclude the Lakes Schools that joined the trust from 1 September however these schools are expected to make modest surpluses for 2020/21, even after accounting for the additional top slice they will also pay towards central services.
- We also note that the trust has cash balances amounting to £5.164 million as at 31 August 2020 and whilst this also includes an element of unspent capital funding most of this relates to SCA which could, if necessary, be used to fund any unexpected capital projects, or in a worst case scenario, this grant could be used to supplement the school budgets if an urgent and unexpected repair/maintenance need arises (such as a boiler or roof repair).
- Overall the results of our audit work were satisfactory and we have no specific matters to bring to your attention.

Audit findings - Other audit risks.



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Compliance with Covid expenditure guidance and additional grant claims, Procurement Policy Note (PPN 02/20) and the July 2020 supplementary bulletin

There are a number of unique considerations this year as a result of Covid-19.

Guidance has been released by the DfE throughout the pandemic to ensure that the trust acts in a manner that does not misappropriate public funds and maintains the value for money statement. Additional requirements to the AAD have been issued which the academy trust must comply with.

As a result of the Covid-19 pandemic, Academies are also entitled to additional forms of government support.

Key elements of our work included:

- We have considered all of the additional government support that academies are entitled to as a result of Covid-19. We have reviewed significant grants received to ensure there are no obvious breaches of the guidelines and that the treatment and disclosure within the financial statements is accurate.
- We have discussed with management significant payments that have been made under the PPN and considered whether they were made in line with the initial guidance and the supplementary bulletin, with an emphasis on value for money.

Crowe comments

- We have reviewed your claims made under the Coronavirus Job Retention Scheme (“CJRS”) and are satisfied that the claims made are legitimate and relate to staff that would have been at risk of redundancy had the CJRS support not been available.
- The only claim made under the Coronavirus except grants regime is the claim for Sponne. Although a deficit was expected at the point of claiming, the school has returned an in-year surplus excluding depreciation. Consequently, the claim amount of £18,125 has not been accounted for as income in 2019/20 on the basis that it is likely to be repayable to the ESFA.
- Our understanding is that the ESFA is likely to accept claims that were made in line with the spirit of the guidance that was available and so we suggest you advise the ESFA that the claim was made with the best intentions and seek clarification on whether the trust can retain the grant amount.
- There have been payments made by the trust under the PPN 02/20 in relation to catering and cleaning contractors in order to ensure continuity of what are considered to be business critical services. Management have included a statement on the trust’s approach to PPN payments within the value for money section of the Governance statement.

Audit findings - Other audit risks.



In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Wootton Primary School Transfer

Per the academies accounts direction the transfer of Wootton Primary's operations into the trust on 1 January 2020 must be accounted for as a net donation into the trust and the transfer should reflect the fair value of the net assets received at transfer date. As a result, we would expect the transfers into Tove to mirror the transfer out of Wootton Primary School statutory financial statements at the same date.

Key elements of our work included:

- We have reviewed the available legal documentation including the CTA to consider whether the current accounting treatment is appropriate.
- We have confirmed the value of net assets transferred into the Trust mirror the value of net assets transferred out of Wootton Primary School's financial statements year end 31 August 2020.
- We have obtained lease agreements to confirm the treatment of the land and buildings transferred in.

Crowe comments

- We are satisfied that the net assets transferred out of Wootton Primary School statutory entity match the transfer into the Trust. However we also note that the land and buildings at Wootton were not previously recognised in Wootton's financial statements.
- Wootton's land and buildings consist of three tranches. A freehold element was transferred from Wootton to the trust as part of the transfer. A leasehold element (the main school buildings and playing fields) were transferred to the trust from Northampton Council as part of a 125 year lease. A third element (related to a small piece of land) was transferred to the trust from the Peterborough Diocesan Board of Finance ("DBF") as part of a separate 125 year lease at a cost of £3,500 per annum and is subject to annual inflation in line with RPI.
- We cannot say for certain what the tenure of the Wootton schools buildings were when they formed part of the Wootton statutory company however we do believe that each of the above tranches of land should be accounted for as a transfer, at fair value, into TL's books which is a requirement of the Charity SORP and the Academies Accounts Direction.
- Management has obtained estimated values for other primary schools with similar footprints and pupil capacity and have concluded that a value of approximately £2.4 million is a reasonable estimate. This has then been discounted to £2 million on the basis that part of the lease requires an annual charge of £3,500 per annum for the next 125 years to be paid to Peterborough Diocese. This is subject to annual rpi inflation and equates to approximately £400,000 in total. Therefore the actual gift introduced is a net £2 million.

Other matters arising.

The right side of the slide features several parallel, diagonal lines in a golden-yellow color, extending from the top right towards the bottom right.

Audit findings - Other matters arising.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Exam fee credit notes



- With the cancellation of the summer exams, exam boards have started to issue refunds in the form of credit notes on exams that were not carried out in 2019/20/
- Across all schools approximately £74,000 of credit notes relating to exam fees have been received after the year end which should have been accounted for in 2019/20.
- Total exam expenditure across the trust was approximately £626,000, taking 23% gives maximum adjustment of £144,000. This is the maximum potential value for the purposes of assessing the extent of the error.
- After discussion with management it was decided not to adjust for the credit notes received and instead account for them in the 20/21 financial year once the actual refund values are known.

Depreciation of land and buildings



- We note that for the Grace Schools, the long leasehold land aspect of the properties is being depreciated at the same rate as the buildings, based on useful economic life.
- Leasehold land should, in theory, be depreciated over the life of the lease at 125 years.
- Any difference in depreciation as a result of this calculation is unlikely to be significant in any one year however management should consider applying the correct policy to fixed asset registers going forward.

Audit findings - Other matters arising.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Academies Accounts Direction (“AAD”) 2019-20



There have been numerous changes in this year’s version of the Accounts Direction that must be adhered to. We have summarised the key changes that will impact on the financial statements of all trusts across the sector.

Key changes this year include:

- Reflecting new statutory elements in the trustees’ report, covering the success of the company, employee engagement and business relationships
- Identifying legal costs in the notes to the financial statements
- Introducing an analysis of changes in net debt as a note to the financial statements, to comply with the updated SORP
- Updating the Teachers’ Pension Scheme notes to reflect the latest actuarial valuation

In addition to the above, the following changes also impact on the trust:

- Reflecting new statutory requirements for streamlined energy and carbon reporting in the trustees’ report
- Introducing a requirement for academy trusts to explain how their audit arrangements are affected by the newly revised FRC Ethical Standard, where applicable

Further details can be found in our Further Sector Developments document which accompanies this report.

Local Government Pension Scheme (LGPS) deficit



The LGPS pension liability has been recognised in the financial statements following receipt of the latest actuarial valuation as at 31 August 2020. The value of the liability at the year-end is £22.398 million which represents a 20% increase compared to the previous year after excluding the transfer in of Wootton’s pension deficit.

The performance of scheme assets during the year to 31 August 2020:

- There has been substantial volatility in equity markets around the world this year, in relation to the COVID-19 pandemic. The falls in equity markets and the subsequent recovery are reflected in the accounting figures as at 31 August 2020.

The price of corporate bond yields as at 31 August 2020:

- Over the same year the market volatility extended to corporate bonds, but ultimately the yields on AA-rated corporate bonds as at 31 August 2020 have settled at around 1.7% per annum which is broadly similar to the start of the accounting year. As the discount rate for accounting purposes is based on corporate bond yields, this means this volatility has ultimately had relatively little impact on accounting liabilities.

Valuation of scheme liabilities at 31 August 2020:

- The value of the liabilities has increased and outweighed the actual return on assets made during the year. A large part of this is due to a ‘re-calibration’ of figures and assumptions following the 31 March 2019 valuation.

Audit findings - Other matters arising.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Local Government Pension Scheme (LGPS) deficit continued



We note that similar increases are being experienced by many other trusts and we have performed a comparison of the key assumptions to those used in similar trusts. We consider the assumptions to be reasonable.

We have identified an apparent difference between the total employer's contributions made by the trust during the year to that advised by the Actuary as part of the closing actuarial valuation. Total employers contributions (including lump sum payments) paid by the trust amount to £1.584 million which reduces to £1.479 after removing the accrual noted in the summary of misstatements section) compared to £1.510 million advised by the Actuary. The difference is £31,000 and is not considered to be material to the trust's financial statements, nor to the total LGPS pension deficit. The difference is more than likely the result of the Actuary using extrapolated data in calculating the closing pension valuation.

However we recommend that the difference is followed up in due course as the difference could impact upon future lump sum payments that the constituent academies could be asked to pay to the LGPS. We have not proposed an adjustment for this amount given the level of subjectivity that this difference could have on the LGPS pension deficit, although we are satisfied that the difference would not result in a material misstatement in the financial statements.

Local Government Pension Scheme (LGPS) deficit continued



It should also be noted that the opening pension liability for Wootton amounted to £688,000 which is the liability as at 1 September 2019. Wootton actually joined TLT on 1 January 2020 and so there is, theoretically, a movement on the liability between the two dates.

Management has taken the £688,000 liability as an approximation of the value at transfer date and given that the closing Wootton pension obligation has only increased to £704,000 at 31 August 2020 we have accepted that any change in value at the transfer date is likely to be negligible.

Audit findings - Other matters arising.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

LGPS recent cases



There have been some high-profile cases which impact local government pension schemes; The McCloud judgement and Guaranteed Minimum Pensions (GMP).

The McCloud judgement

- In December 2018 the Court of Appeal ruled against the government in the 'McCloud/Sergeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated. The government applied to the Supreme Court for permission to appeal this judgement and in June 2019 this permission was denied. We therefore recommended that you opted in for the inclusion of any potential impact in the 31 August 2020 valuation.
- The actuarial valuation has been calculated to include any potential impact of the McCloud judgement.

Guaranteed Minimum Pensions (GMP)

- In 2018 the High Court ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".
- We can confirm GMP has been considered by the Actuary whom concluded that any further adjustments to the liability were not necessary

Audit findings - Other matters arising.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Controls over disclosures



International Standards on Auditing require us to express an opinion on the financial statements as a whole. This includes the notes to the financial statements. Therefore, it is important that during all stages of the audit we give appropriate consideration to the disclosures made within the notes to the financial statements. We must also ensure that the financial statement disclosures are in line with the AAD.

Key elements of our work included:

- Understanding who prepares the key disclosure information and establishing what controls are in place to ensure that they are complete and accurate;
- Agreeing the material disclosures within the accounts to the appropriate supporting documentation

Except for the disclosures regarding operating leases considered further in this report we have nothing to report on the way in which disclosures have been prepared by management. Generally, disclosures provided to us were accurate and in line with the relevant legal frameworks.

Streamlined Energy and Carbon Reporting (SECR)



There is a new reporting requirement in relation to Streamlined Energy and Carbon Reporting. This requires additional disclosures on annual energy use and greenhouse gas emissions and applies for reporting years beginning on or after 1 April 2019.

As such the Academy Trust will need to include narrative within their financial statements

We have reviewed this disclosure within the Trustees report which has been prepared on a reasonable basis by external consultants.

Audit findings - Other matters arising.



In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

S172 reporting



You are required to include a separate “Section 172(1) statement” in the Strategic Report describing how The Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Duty to promote the success of the company

(1) A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

We have reviewed the information disclosed in respect of S172 for consistency with the financial statements and consider the wording satisfactory.

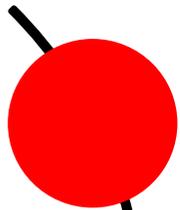
Systems and **controls.**

The right side of the slide features several parallel, diagonal lines in a golden-yellow color, extending from the top right towards the bottom right.

Systems and controls.

We have set out in this section the key internal control matters identified during our audit work which we believe merit being reported to you.

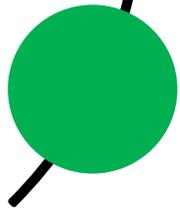
Our evaluation of the systems and controls relevant to the preparation of the financial statements of TLT was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's processes and control environment and would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors which are immaterial to the financial statements.



Findings categorised as red are high significance and require urgent action



Findings categorised as amber are of a less urgent nature, but still require reasonably prompt action



Findings categorised as green are of lower significance and merit attention within an agreed timescale

Systems and controls – current year findings.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
Low	As noted earlier in this report, the land and buildings for the Grace Schools have not been separated out for depreciation purposes. This means that leasehold land is being depreciated at the same rate as the buildings rather than over the life of the lease.	We recommend the land value is split from the total land and buildings value and depreciated over the life of the lease (125 years).	Noted
Low	We have noted that some items included on the bank reconciliations are not true reconciling items. e.g. Wootton's August PAYE creditor had been posted directly to the bank nominal. Only actual bank payments should be posted to the bank nominal.	We recommend that all bank reconciliations are reviewed and only true reconciling items included.	Noted
Low	During the course of the audit we noted that an asset in Sponne was being depreciated with a flat annual charge which was not in line with TLT's stated depreciation policy.	We recommend that depreciation policies are clear and communicated to all TLT finance staff and that assets are depreciated in line with these policies.	Noted
Low	We have noted that operating lease schedules are not kept up to date and, in some instances, were found to be incomplete.	<p>We recommend that lease and contract schedules are updated every time a new lease is entered into and removed once existing leases come to an end.</p> <p>Where leases are entered into at a school level this also increases the risk that schools could inadvertently enter into leases which may be considered finance leases. Finance leases are not permitted under the AFH.</p> <p>Many trust's now centralise the authorisation of leases for this reason.</p>	Noted

Systems and controls – current year findings cont.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
Medium	<p>We have noted that the risk Register has not been updated since February 2020. No risks in relation to Covid-19 are included on the risk register.</p> <p>We have also noted that some formulas on the risk register are incorrect meaning that some risks are given an incorrect risk score (see risks 5.1 and 5.2)</p>	<p>We appreciate that the key risks have been considered over recent months from our review of board minutes. However it is important to be able to demonstrate that appropriate consideration and mitigation of the risks has been applied. A revisit of the risk register should be a standing agenda point at all relevant meetings.</p> <p>We also recommend that the risk register is reviewed and the formulas that derive the risk score checked. Some appear to have been changed manually.</p>	Noted
Low	For Grace Solihull management were unable to find the GAG statement setting out the monies to be paid to the school.	We have verified the GAG for this school by reference to the remittances for the year. We recommend that GAG statements are held centrally to aid reference against census information and monies received as required.	All GAG statements for 20/21 financial year held at Trust level.
Med	We have noted that the prepayments had not been posted to the trial balance for Trust.	<p>We recommend a review of all year end balance sheet areas ensuring that all year end adjustments are posted as necessary.</p> <p>It is a requirement of the AFH to ensure accurate, accruals based, management accounts are prepared on a monthly basis.</p>	Noted.

Systems and controls – current year findings cont.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
Medium	<p>We have noted that in two schools the pension deficit payments had been prepaid and in another entity it had been accrued for.</p> <p>The most significant of these was an accrual for £104,600 (posted in the Trust trial balance) which was paid post year end but related to 2019/20.</p>	<p>Deficit contributions payable to the LGPS should be accounted for on a cash paid basis to ensure that the amounts recorded in the financial statements are similar to the actual payments identified by the actuary in preparing their LGPS Actuarial valuations.</p> <p>This amount has been reversed as part of the LGPS actuarial valuation adjustment and should be accounted for as a payment in 2020/21.</p>	Noted

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	<p>We have identified the following improvements to the maintenance of fixed asset registers across the trust.</p> <p>a) We recommend that each school reviews its own fixed asset register on a regular basis to ensure that disposals or losses can be identified and accounted for accordingly. From our visits to the schools it was widely acknowledged that this process is not regularly undertaken. Furthermore losses above £5,000 require disclosure in the statutory accounts;</p> <p>b) We recommend that the formatting and consistency of the fixed asset registers is aligned across the trust to ensure more accurate categorisation. At present, each of the schools have their own methods for maintaining the register, with the central trust team posting the depreciation at year end. It should also be noted that one of the adjustments identified in section 6 of this report was to correct the Grace Academy schools' depreciation charge to bring the depreciation policy in line with Tove's stated accounting policy. All schools should be following a common policy now they are part of a single trust.</p>	Partial	Internal auditors were commissioned to compile a thorough review of controls procedures across all schools in the trust. The report was not received until after the year end and so no action has yet been taken. We recommend fixed asset registers are updated monthly and a standard format used across all schools in the Trust.
Med	<p>We noted during our visit to Grace Darlaston that bank reconciliations were not reconciled on a monthly basis. The year-end bank reconciliation was performed by the central trust team as at 31 August 2019.</p> <p>Bank accounts should be fully reconciled on a monthly basis to ensure that trust income and expenditure is recorded accurately and intact.</p>	Clear	Bank reconciliations are now completed monthly.

Systems and controls – prior year findings cont.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	<p>We note that following a management investigation into the provision of contracts awarded to certain sports clubs, including stay afloat, it is believed that the trust may have lost up to £10,000 in lost revenue as a result of unauthorised discounts being offered. We understand the matter has been raised with the police but following an investigation no action has been taken against the alleged perpetrator.</p> <p>The issue appears to have arisen because the trust's policy which stated a second person needed to sign off on the invoices that were raised. The policy did not state that the second person should have been a more senior person.</p> <p>We understand that the policy has since been updated to explicitly state that any invoices & agreements should be counter signed by a superior.</p> <p>On balance we consider this to be akin to a fraud which should be communicated to the ESFA in order to comply with the Academies Financial Handbook (as the amount is over £5,000). We have not qualified our regularity opinion on this matter on the basis that the trust will communicate the fraud to the ESFA at the earliest opportunity.</p>	Clear	During the course of audit no such similar instance was discovered. The policy has since been amended and successfully implemented in the year.
Low	<p>We note that 2 months of CIF income that had not been received at the year-end should have been accounted for as part of the initial grant award. Capital grants should be recognised upon entitlement, which may differ from when the cash is physically received. This has resulted in an additional CIF income accrual of approximately £69,000 which has had the effect of increasing the restricted fixed asset fund by £69,000.</p>	Clear	No further CIF income was received in the year, there was however an over-accrual of CIF income in the prior year resulting in £52,665 being debited against income in the financial statements.

Systems and controls – prior year findings cont.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	<p>We have identified a number of adjustments that were required in order to reconcile the inter-school control accounts between schools within the trust. Many of the adjustments have arisen business managers at different schools have accounted for certain transactions in a different way to another school. Adjustments were required to correct balance sheet control accounts and to ensure an equal and opposite entry had been accounted for when schools have incurred costs/received income on behalf of another. The general principle should be that an inter-trust balance sheet control account should be used to recognise any type of inter-school transaction. We have noted instances where items have had to be netted off in the income and expenditure account. These entries should have been processed through a control account. The control account also needs to be reconciled on a monthly basis to ensure that they eliminate across the trust.</p>	Clear	Lindsey Oake now oversees the intercompany transactions and all intercompany transaction and balances at year end were removed on consolidation.
Low	<p>An adjustment has been agreed with management amounting to approximately £39,000 to reflect the remaining 16-19 Bursary amounts as a balance sheet control account. The associated income and expenditure has also been excluded from the income and expenditure account as these amounts do not belong to the academy. They should instead be reflected in a creditor account on the balance sheet and should not form part of the trust's income.</p>	Partial	We note that this has been completed in some schools but not in all schools. We recommend central control and record keeping around the 16-19 Bursary amounts.

Systems and controls – prior year findings cont.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	<p>We note that journals can, and have been posted at Grace Coventry, Lord Grey and Rushden without a secondary review from a more senior person. Journal processing is an area that is susceptible to fraud as journals can be posted in order to initiate, or cover up a fraud.</p> <p>We recommend that all journals posted by finance teams are subject to multi level review, preferably by a superior and that the journal module is locked down so that only a select few individuals can access the module.</p>	Clear	We note that all journals are subject to secondary review, this was also the case during the Covid 19 shutdown period.

Regularity and **Propriety.**

Summary of **misstatements** identified.

Summary of adjustments – Trust.



The following adjustments to the financial statements arose throughout our audit work and have been agreed with and processed by management.

			ILT	GAC	GAS	GAD	EWS	Sponne	RA	LGA	WPS	Pension	TOTAL
Deficit/surplus presented for audit			544,858	- 314,576	- 254,884	- 299,378	- 23,603	- 193,555	- 393,515	158,104	462,431	-	- 314,118
AUDIT ADJUSTMENTS													
Income adjusting		JNL ref											
Adj 2	Music Fee Deferral	21						- 8,952					- 8,952
Adj 3	Reversal of Grant Accrued in Error	22					- 126,174						- 126,174
Adj 5	Wootton Transfer - pension not posted	5										- 688,000	- 688,000
Adj 10	Introduce Wootton land and buildings value	33								2,000,000			2,000,000
Expenditure adjusting													
Adj 6	Corrections of Depn Charges	15		- 150,943	- 81,476			84,226					- 148,193
Adj 7	Reverse accrual for LGPS pension costs	20	104,600										104,600
Adj 9	FRS pension movement	31										- 4,198,000	- 4,198,000
Adj 10	Introduce Wootton land and buildings value	33								- 30,000			- 30,000
Rounding													- 4
Revised deficit/surplus per final accounts			649,458	- 465,519	- 336,360	- 299,378	- 149,777	- 118,281	- 393,515	158,104	2,432,431	- 4,886,000	- 3,408,841

Summary of **unadjusted** misstatements – Trust.



Unless clearly trivial in size or nature, we report to you all misstatements which we identified as a result of the audit process but which were **not adjusted** by management.

Summary of unadjusted misstatements	Surplus/ (Deficit)
Group summary by entity	£
Result per final financial statements	(5,378,841)
Exam fee credit note - actual credit notes received post year end but not accounted for in 2019/20	74,000
Maximum potential error based on total exam fees incurred in year @ 23% = £144,000 in total	70,000
Potential adjustments	144,000
Potential result and position if processed	(5,234,841)

Appendices

A reminder of audit scope
and some key
responsibilities.

Scope of our audit and our report to you.

Overview of audit scope and approach

Purpose

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of Tove Learning Trust, prepared by management with the oversight of the Trustees, and has been carried out in accordance with International Standards on Auditing (UK) (“ISAs”).

Approach

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

Materiality

Our audit approach is based on consideration of audit materiality as explained in our Planning Letter. The assessment of materiality is a matter of professional judgment but, overall, a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the “true and fair” view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality has been considered having regard to the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

We do not therefore seek to review all immaterial amounts.

Ethical Standards

We are required by the relevant Revised Ethical Standard for auditors issued by the Financial Reporting Council (“FRC”) to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Revised Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As stated in our Planning Letter, in our professional judgement, there are no relationships between Crowe U.K. LLP and TLT, nor any other matters of note, that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention since our Planning Letter was issued to The Board.

Legal and regulatory requirements

In undertaking our audit work we considered compliance with the following legal and regulatory requirements, where relevant.

- Companies Act 2006
- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS102) (effective 1 January 2019)
- Academies Account Direction 2019 to 2020
- Academies Financial Handbook 2019
- Applicable Accounting Standards

Our responsibilities in respect of the audit.



The scope of an audit and **our responsibilities in respect of the audit** are set out below.

We are responsible for forming and expressing an opinion on the financial statements prepared by management, with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Consistent with our responsibilities we will provide an audit opinion as to whether the financial statements give a true and fair view of the Trust's state of affairs at 31 August 2020 and its result for the year then ended. Our audit report will be addressed to the members of Tove Learning Trust.

The scope of the audit work and the design of audit tests undertaken will be solely for the purposes of forming an audit opinion on the financial statements.

Our audit responsibilities do extend to the other information that is published with the financial statements. Our responsibility in respect of these other statements is to read the information contained therein to ensure that there are no matters that are inconsistent with the accounts. If there are inconsistencies or apparent mis-statements, we have to consider the impact on our audit report.

We are required to assess the business risks and risks of fraud within the Trust and to assess the systems and controls in place to mitigate these risks. This will form an integral part of our evaluation of the control environment.

We are also required to evaluate the design, implementation and monitoring of your internal control systems. We will do this by ensuring that we understand your systems and identifying the key controls that operate therein.

The scope of our audit work in this area will be undertaken solely for the purposes of forming an opinion on the statutory accounts. Our examination will not be specifically structured to detect fraud, all errors or non-compliance with all laws and regulations.

Communicating with you.



In respect of the audit, International Standards on Auditing require us to communicate certain prescribed matters to those charged with governance of TLT. **Our approach to written communications with you is:**

Audit matter	Planning Letter	Findings Report
Planned audit scope and responsibilities of the auditor	✓	
Responsibilities of management and those charged with governance	✓	
Timings, logistics and planned communications in response to significant audit risks and key audit matters	✓	
Key issues in respect of going concern	✓	✓
Confirmation of our consideration of, and compliance with, ethical requirements, particularly concerning our independence and objectivity.	✓	✓
Key findings and issues identified throughout the audit		✓
Proposed modifications to the Audit Report, including emphasis of matter narrative		✓
Discovery or reasonable suspicion of material misstatement arising through fraudulent activity by management		✓
Material non-compliance with relevant laws and regulations		✓
Unadjusted misstatements above the trivial reporting level		✓
Consideration of the qualitative elements of the financial statements, including narrative reporting, inconsistencies between surrounding information and the financial statements, selection and application of accounting policies, disclosure notes and accounting estimates and judgements.		✓
Significant difficulties, limitations or challenges in obtaining audit evidence and completing audit work		✓
Significant deficiencies in the internal control environment		✓
Significant matters identified in respect of related parties		✓

Fraud – our work and your responsibilities.



As explained in our Planning Letter, **the safeguarding of assets and the prevention and detection of fraud, error and non-compliance with law or regulations rests with The Board of TLT.** International Standards on Auditing require us to consider fraud when planning and executing our audit.

Audit work and limitations in respect of actual and suspected fraud

We planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including any material misstatements resulting from fraud, error or non-compliance with law or regulations).

However, no internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

As part of our audit procedures we made enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. We have also considered fraud risk by reference to our knowledge of the structure, systems and industry in which TLT operates, as well as emerging fraud risks.

We have reviewed and discussed the accounting and internal controls systems management has put in place to address these risks and to prevent and detect error. However, we emphasise that management and The Board should ensure that these matters are considered and reviewed on a regular basis.

Audit work and limitations in respect of actual and suspected fraud

We have included the following statements in the letter of representation which we require from the Trustees when the financial statements are approved.

- The Trustees acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The Trustees have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The Trustees are not aware of any fraud or suspected fraud affecting the company involving management, those charged with governance, or employees who have a significant role in internal control or who could have a material effect on the financial statements.
- The Trustees are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the financial statements.

We draw your attention to bullet point 2 above, which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the financial statements, or in the year since the previous year end. We emphasise that this section is provided to explain our approach to fraud and error, but the responsibility to make and consider your own assessment rests with yourselves.

