

Tove Learning Trust

Audit Findings Report

Year ended 31 August 2021



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 period ended 31 August 2021. 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.

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Schools covered in this report

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

- Tove Learning Trust

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

COVID19 – limitations on our work

To complete our audit this year we have worked with your management team to establish any lessons learnt from Covid-19 – for example by adopting a remote audit. 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.

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



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	<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.</p> <p>Capital income received in year relating to Knowles rebrokerage and Sponne s106 funding had not been introduced into the financial statements at year end. The resulting audit adjustment increased surplus by £238,500 and £1,385,457 respectively.</p> <p>Covid-19 catchup premium in relation to Wootton and Sponne had been deferred in year however as a revenue grant should be carried forward within funds, audit adjustments therefore increasing surplus by a further £13,000 and £16,000 respectively.</p> <p>We have no further matters to report in relation to income recognition.</p>
2	<p>Management Override of Controls</p> <p>Auditing standards require us to consider this as a significant audit risk area. We have reviewed significant account estimates and judgements, controls around journals, detailed review of journals made in the year and review of significant transactions outside the normal course of business.</p> <p>We have identified certain matters regarding management estimates further in this report but we have not identified any matters that could be indicative of deliberate management bias or manipulation.</p>

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	
3	<p>Going concern conclusion</p> <p>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 therefore have accepted your assessment that the trust is able to continue as a going concern.</p>
4	<p>Transfer of Knowles Primary School and Water Hall Primary School</p> <p>We are satisfied that the transfers from both Knowles Primary and Water Hall primary have been accounted for accurately with the transfer out of Lakes Academy Trust agreeing to the transfer into TLT.</p>
5	<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 no matters to bring to your attention.</p>

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? ✓

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 Report, 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 £25,500 to remain appropriate.

Summary of adjustments	Profit/(Loss) £	Assets £	Liabilities £	Reserves £
Draft financial statements	1,499,779	139,823,901	(29,081,273)	(110,723,395)
Total adjustments arising throughout the audit	9,490,789	14,423,782	(4,952,226)	(9,490,789)
Revised result per final financial statements	10,990,568	154,247,683	(34,033,499)	(120,214,184)

Systems and controls items relevant to the audit	Significant deficiencies*	Other systems points
Number of current year items	0	2
Number of open items from prior year audit findings	0	1
Number of cleared items from prior year audit findings	0	8

* A risk that this systems and controls deficiency could create a material misstatement.

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 themselves 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. The key significant accounting estimates and judgements made by management that we have identified for specific audit review are:

- The present value of the Local Government Pension Scheme defined benefit liability;
- Valuation of the land and buildings transferred into the trust and associated depreciated rates;

Further to the above matters we also identified the following key estimates at the planning stage:

- the assessment of impairment of assets;
- the assumptions relating to income recognition and cut-off;

We have no issues to report – the wording included in the financial statements is reasonable and well balanced.

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	✓
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	✓
A review of the budget to 31 August 2022 – understanding assumptions made, impact on cash and impact on funds carried forwards	Satisfactory – no significant items to note	✓
A high level review of the 3 year budget forecast submitted to the ESFA to 31 August 2024	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 report 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 period 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.**

We agree with this assessment.

Response to audit **risks.**

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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

- Capital income relating to Knowles rebrokerage and Sponne s106 funding had been omitted from the financial statements increasing surplus by £238,500 and £1,385,457 respectively. Furthermore Covid-19 catch-up premium in relation to Wootton and Sponne had been deferred in year however should be carried forward within funds, therefore increasing surplus by a further £13,000 and £16,000 respectively. Further details of these adjustments can be found later on within this report.
- We have no further matters to report in regarding completeness of grant and other ancillary income.

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. This has been considered in more detail on the next page. 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.

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 **significant audit risks** at the planning stage

Management override of controls – significant accounting estimates and judgements

As noted in our audit planning report, a revised auditing standard, ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures, effective for accounting periods commencing on or after 15 December 2019, is applicable for the current year, and required additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

We have considered those areas where management has used significant estimates and judgments in the preparation of the financial statements. The key significant accounting estimates and judgements made by management that we have identified for specific audit review are:

- The present value of the Local Government Pension Scheme defined benefit liability (see page 16);
- Valuation of the land and buildings transferred in to the trust and associated depreciated rates (see page 15);

Further to the above matters we also identified the following key estimates at the planning stage:

- the assessment of impairment of assets;
- the assumptions relating to income recognition and cut-off;

Crowe comments

- Following our review of the above estimations and judgments we have not identified any indicators of deliberate management bias or manipulation. Subject to the matters identified on pages 15 and 16, estimates are considered to have been based on a reasonable basis and using information that is reliable.
- 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 Knowles and Water Hall land and buildings valuations 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 - 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 all internal scrutiny reviews conducted; 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

- Overall the results of our work were satisfactory and we have no 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

Lakes Academy Trust Transfer

Per the academies accounts direction the transfer of Lakes Academies Trust (Knowles Primary School and Water Hall Primary) operations into the trust on 1 September 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 TLT to mirror the transfer out of these 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 Lakes Academies Trust's financial statements year ending 31 August 2020.
- We have obtained lease agreements to confirm the treatment of the land and buildings transferred in.
- We have considered the disclosures associated with the transfer to determine if the disclosures are reasonable

Crowe comments

- We have reviewed the transfer and lease agreements to confirm that the transfers are in line with the agreements. We have also checked that the reserves transfers into TLT are the same as the transfers out of Lakes Academy trust. We are satisfied that the transfers have been undertaken correctly.

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

Local Government Pension Scheme (LGPS): - benchmark of assumptions



We reviewed the actuary assumptions against other academies of similar size to ensure that the assumptions used by the actuary appear reasonable.

Assumption	TLT	Sector average
Discount Rate	1.66%	1.68%
Inflation (CPI)	2.88%	2.84%
Life expectancy – male, 65	21.7	21.82
Life expectancy – female, 65	24.4	24.30

- We have nothing to bring to your attention and confirm that the assumptions for TLT fall within the ranges seen of other Academy Trusts within the local, and wider areas.

Local Government Pension Scheme (LGPS): - reconciliation of employers' contributions



We have identified an apparent difference between the total employers' 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 approximately £1.706 million compared to £1.852 advised by the Actuary. The difference is approximately £146k and is not considered to be material to the trust's financial statements, nor to the total LGPS pension deficit.

This difference is likely to relate to the way in which the Actuary estimates the annual contributions for the final few months of the year. 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.

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

Local Government Pension Scheme (LGPS): Use of management expert



The LGPS pension liability carries a significant amount of estimation uncertainty and is a significant balance in the financial statements of the Trust.

To mitigate the risk of material misstatement management has appointed an Actuary as part of the ESFA bulk arrangement with academy Actuaries in order to provide comfort the valuation is based on a set of reasonable assumptions and in line with sector norms.

Our assessment is that the assumptions adopted by the Actuary is reasonable and in line with a number of other academies within the surrounding and wider West midlands area.

We are satisfied that the Actuary is independent from the Trust and has performed the valuation in line with the wider academy sector.

Local Government Pension Scheme (LGPS) deficit - rationale for pension movement



The LGPS pension liability has been recognised in the financial statements following receipt of the latest actuarial valuation as at 31 August 2021. The value of the liability at the year-end is £30.6 million which represents a 37% increase compared to the previous year.

The performance of scheme assets during the year to 31 August 2021:

- There has been substantial volatility in equity markets around the world this year, in relation to the COVID-19 pandemic. The initial falls in equity markets and the subsequent recovery are reflected in the accounting figures as at 31 August 2021. The return on assets during the period was £5,761,000 (2020: £2,049,000).

The price of corporate bond yields as at 31 August 2021:

- Over the same period the market volatility extended to corporate bonds, but ultimately the yields on AA-rated corporate bonds as at 31 August 2021 have settled at around 1.7% per annum which is slightly lower than the start of the accounting year (1.8%). As the discount rate for accounting purposes is based on corporate bond yields, the lower discount rate has the effect of increasing the value of the liabilities.

Valuation of scheme liabilities at 31 August 2021:

- As a result of the above observations, the value of the liabilities has increased and outweighed the actual return on assets made during the period, hence increasing the liabilities.

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 period 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 period performed by The Board to assess the ability of the academy trust to continue as a going concern.
- We have examined budgets prepared by management covering the period of the going concern assessment to ensure these are appropriate
- We have reviewed any other documentation which The Board 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 have reviewed the Trust budgets and are satisfied that they have been prepared on a reasonable basis. The budget show a surplus (excluding capital income and expenditure) of £318k for 2021/22, £1.444m for 2022/23 and £1.689m for 2023/24.
- Overall, given the Trust's significant cash reserves, we are satisfied that the Trust is able to continue as a going concern.

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 the July 2021 supplementary bulletin

Guidance has been released by the DfE throughout the COVID-19 pandemic to ensure that Trust's act in a manner that does not misappropriate public funds and maintains the value for money statement. As in the previous year additional requirements to the Academies Accounts Direction have been issued in the form of a supplementary bulletin which the trust must comply with.

The key areas considered are:

- Procurement policy note (PPN) 04/20
- Trustee Report disclosures
- Impact of COVID-19 on governance arrangements
- Additional financial support available
- Accounting for laptops and other devices

Key elements of our work included:

- 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.
- We have reviewed disclosures in the Trustee Report and Governance Statement in line with the requirements of the supplementary bulletin.
- 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.

Crowe comments

- Overall the results of our audit work were satisfactory and we have no specific matters to bring to your attention.
- Grants received (including laptop donations) in relation to COVID-19 have been adequately disclosed in line with the Supplemental Bulletin

Other matters arising.

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”) 2020-21



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

Key changes this year include:

- Updating the requirements of the financial review provided in the Trustees Report;
- Introduced a requirement to disclose a Financial Notice to Improve where one has been issued in the year;
- Clarified that where an “off-payroll” arrangement has been entered into with someone who is not an employee, the amount should be included in the staff cost disclosure note;
- Clarified which sub-heading funding sources should be shown in, to ensure consistency between the statutory accounts and the AAR;

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

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

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.

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 have nothing further to report in this respect

Note: This statement also has to be made available on the Company's website.

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 periods beginning on or after 1 April 2019.

As such the Academy Trust included narrative within their financial statements

We have reviewed the information disclosed and have nothing further to report in this respect

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.

Income recognition



Capital grant income

Per the ESFA capital income should be recognised in full upon receipt. Capital income relating to Knowles rebrokerage and Sponne s106 funding had not been recognised in the year resulting in an increase to surplus of £238,500 and £1,385,457 respectively to ensure income recognition follows ESFA guidelines.

Covid-19 catch-up premium

Catch-up premium income granted by the ESFA relates to a one off universal grant to support children and young people in catching up on lost time due to school closure. This grant comes under the umbrella of revenue grants and as such any unspent element should be carried forward in funds rather than deferred.

In both Wootton and Sponne the unspent element of catch-up premium had been deferred in year resulting in a surplus increase of £13,000 and £16,000 respectively.

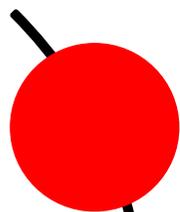
Systems and **controls.**

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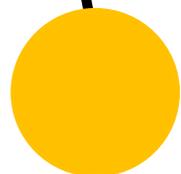
Systems and controls.

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.

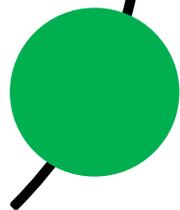
Our evaluation of the systems and controls relevant to the preparation of the financial statements of TLT was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's processes 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	<p>Depreciation- Wootton Primary School</p> <p>We note that as per the accounting policy all property is depreciated on a straight line basis with the exception of Wootton which is calculated on a reducing balance basis. The difference between the two methods upon recalculation resulted in a variance of approximately £400, as this is below triviality no adjustment has been made.</p>	<p>We recommend all academies in the Trust are depreciated on the same basis and in line with the accounting policy included within the financial statements.</p>	<p>Noted. Arrangements will be made to bring all schools in line.</p>
Low	<p>Exam refunds</p> <p>Across the Trust approximately £13,000 of income relates to exam refunds. Per the ESFA any credit notes relating to exams should be allocated against the original expense incurred. Given the reclassification is trivial no adjustment has been made to the financial statements.</p>	<p>We recommend review of any credit note income streams to ensure the income has been correctly allocated against related expenditure.</p>	<p>Noted. No adjustment for this year required and steps will be taken to ensure correct treatment of credit notes in future years.</p>

Systems and controls – prior year findings.

Priority	Audit finding prior year	Update 2021	Management comment / proposed action and timescale
Low	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.	Clear	No such issues noted in the current year.
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.	Clear	No such issues noted in the current year.
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.	Clear	No such issues noted in the current year.
Low	We have noted that operating lease schedules are not kept up to date and, in some instances, were found to be incomplete.	Clear	No such issues noted in the current year.
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>	Clear	No such issues noted in the current year.

Systems and controls – prior year findings cont.

Priority	Audit finding	Update 2021	Management comment / proposed action and timescale
Medium	We have noted that the prepayments had not been posted to the trial balance for Trust.	Clear	No such issues noted in the current year.
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>	Clear	No such issues noted in the current year.
Medium	<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.</p> <p>They should instead be reflected in a creditor account on the balance sheet and should not form part of the trust's income.</p>	Clear	No such issues noted in the current year.

Systems and controls – prior year findings cont.

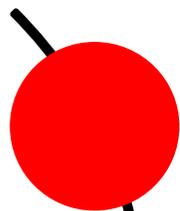
Priority	Audit finding	Update 2021	Management comment / proposed action and timescale
Medium	<p>We have identified the following improvements to the maintenance of fixed asset registers across the trust.</p> <p>a) We recommend that each school reviews its own fixed asset register on a regular basis to 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	<p>Improvements ongoing during the year, Crowe have been commissioned to aid in standardising the fixed asset register format, however this was not complete at year end.</p> <p>Going forward this should no longer be an issue.</p>

Regularity and **Propriety.**

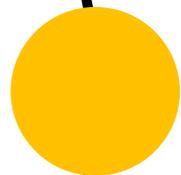
Matters arising in relation to **regularity and propriety.**

We have set out in this section the regularity and propriety matters identified during our audit work which we believe merit being reported to you.

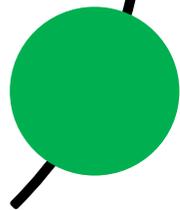
Our evaluation of regularity and propriety matters relevant to the preparation of the financial statements of TLT was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's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



These findings are significant and will be included in the regularity report



These findings require reasonably prompt corrective action but do not require inclusion in the regularity report



These findings merit attention within an agreed timescale

Regularity and propriety – current year findings.

We are pleased to report we have no regularity findings to bring to your attention.

Summary of adjustments.

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.

Summary of adjustments	Surplus/ (Deficit)	Assets	Liabilities	Reserves
Trust summary	£	£	£	£
Result per draft trust financial statements	1,499,779	139,823,901	(29,081,273)	(110,723,395)
Reclassification of transfer in of academies from reserves to donations	10,327,825	12,799,825	(2,472,000)	(10,327,825)
Late client adjustment to reclass DFC misposting	19,233			(19,233)
Sponne- s106 accrued income	1,385,457	1,385,457		(1,385,457)
Knowles rebrokerage- accrued income	238,500	238,500		(238,500)
Catchup premium deferred income release	29,000		29,000	(29,000)
Duplicated liability posting- catering account	37,774		37,774	(37,774)
Actuarial valuation posting	(2,547,000)		(2,547,000)	2,547,000
Total adjustments agreed and processed by management	9,490,789	14,423,782	(4,952,226)	(9,490,789)
Revised result per final financial statements	10,990,568	154,247,683	(34,033,499)	(120,214,184)

Appendices

A reminder of audit scope
and some key
responsibilities.

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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 Members, 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 report. 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 2020 to 2021
- Academies Financial Handbook 2020
- 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 2021 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 not 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 Report	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 period 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.

