Tove Learning Trust

Year ended 31 August 2019

Audit Findings Report

Black Country House
Rounds Green Road
Oldbury, B69 2DG

The Trustees
Tove Learning Trust
Sponne School
Brackley Road
Towcester
NN12 6DJ

December 2019

Dear Trustees

Audit for the year ended 31 August 2019

Following the completion of our audit fieldwork on the financial statements of Tove Learning Trust ("the trust") for the year ended 31 August 2019 we have pleasure in submitting our Audit Findings Report setting out the significant matters which have come to our attention during our audit of which we believe you need to be aware when considering the financial statements. The matters included in this report have been discussed with the trust's management during our audit and at our closing meeting on 9 December 2019. Sue Wagstaff and Lindsay Oake have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant. Helen Drew and Matt Doyle-Healey will be attending your meeting on 9 December 2019 and will be pleased to provide any further information or clarification you may require.

We would like to express our appreciation for the assistance provided to us by the finance team and the other staff at the trust during our audit.

Use of this report

This report has been provided to the trust Board to consider and ratify 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.

Yours sincerely

Crowe U.K. LLP

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1. Audit overview

Audit scope and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the trust prepared by management with the oversight of the trustees and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

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. No restrictions or limitations were placed on our work.

Communicating significant findings from our audit

We are required by ISAs to communicate with the trustees as "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.

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention. We have reported a number of matters relating to the trust's systems and controls in section 4 of this report.

You should note that our evaluation of the systems of control at the trust was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of systems and processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

Audit completion

We have substantially completed our audit in accordance with our Audit Planning Letter which was sent to you and the senior management team on 24 October 2019, subject to the matters set out below.

- Completion of the post-Balance Sheet events review;
- Review of the final financial statements;
- Receipt of the signed letter of representation.

The final three items we have identified as outstanding are work we usually carry out just prior to us signing our audit report.

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of the outstanding matters. On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements.

We also expect to issue an unqualified Regularity Opinion.

Critical audit matters

We have identified completeness of income and management override of controls as being critical to the financial statements. We have considered these matters further in section 2 of this report.

Other key audit matters

In Section 3 we have also discussed in detail the findings from our work in relation to the following matters.

- Regularity and propriety reporting.
- Academies Accounts Direction ("AAD") 2018-19
- Local Government Pension Scheme
- Controls over disclosures
- Guaranteed Minimum Pensions (GMPs)
- The McCloud Judgement

Materiality and identified misstatements

As we explained in our Audit Planning Letter, 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.

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity of the trust and was set at approximately 1.5% of total incoming resources. We have reviewed this level of materiality based on the draft financial statements for year ended 31 August 2019 and are satisfied that it continues to be appropriate.

We also report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be approximately 3.5% of our audit materiality.

There is one remaining unadjusted error in excess of our trivial limit which relates to the provision for credit notes for gas costs in relation to Rushden (£40,000). The error amounts to approximately £40,000 which would increase the restricted fund by the same amount if it was to be adjusted. We will request confirmation that management does not wish to adjust for this error.

We have listed in Section 5 any misstatements we have noted during the audit which have been agreed with management and reflected in the financial statements.

Ethical Standards

We are required by the Revised Ethical Standard 2016 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 Revised Ethical Standard 2016 and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and the trust or other matters 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.

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 2015)
- Academies Account Direction 2018 to 2019
- Academies Financial Handbook 2018
- Applicable Accounting Standards

Financial statements

The trustees of the trust are responsible for the preparation of the financial statements on a going concern basis (unless this basis is inappropriate). The trustees are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

Trustees' responsibilities

Under the provisions of the Companies Act, the Trustees' Report is required to include a statement confirming for each Trustee who was a Trustee at the time of the approval of the financial statements that:

- they have each taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- so far as they are aware there is no relevant audit information of which the trust's auditor is unaware.

This report has been prepared for the private use of the Trustees of the trust and its contents should not be disclosed to third parties without our prior written consent. We assume no responsibility to any other person who has access to this report.

2. Significant matters from our audit

We reported in our Audit Planning Letter a number of areas we identified as having specific audit risk including the potential risk from management override of controls which auditing standards deem to be a significant risk for all audits. We have commented below on the results of our work in these areas as well as on any key additional risks, judgements or other matters in relation to the financial statements of trust identified during our audit.

2.1 Completeness of grant and other income recorded in the financial statements

As part of our audit we have carried out the following testing and reviews on the trust's income:

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

Except for the error noted in section 3.4 of this report we have concluded that the trust's grant and other income recorded in the financial statements appropriately and completely reflects the income that the trust was entitled to during the year.

2.2 Management override of controls

Auditing standards require us to consider as a significant audit risk areas of potential or actual management override of controls. In completing our audit we have therefore considered the following matters.

Significant accounting estimates and judgements

Management have made a number of necessary significant accounting estimates and judgements which impact the financial statements. We identified the following for specific audit review:

- the assumptions adopted by management and used by the actuary to calculate the pension liability;

  We have commented further on this estimate within section 3 of this report

Controls around journal entries and the financial reporting process

We reviewed and carried out sample testing on the trust's controls around the processing of journal adjustments (how journals are initiated, authorised and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud.

We did not identify any instances of management override of controls or other issues from our sample testing of the trust journals. However, we note that journal processing can be an area of potential risk and it is good practice to include consideration of this within the overall trust risk assessment.

We also note that journals can currently be posted at Grace Coventry, Lord Grey and Rushden without a corresponding review from a superior. We have included recommendations on how to improve controls over journal processing in section 4 of this report.

Significant transactions outside the normal course of business

We are required to consider the impact on the financial statements if there are any significant transactions occurring outside of the normal course of the trust's business.

The only transaction that could be considered to be outside the normal course of business for the trust is the recognition of the Grace Academy transfers into the trust as at 1 April 2019. Further details can be found within section 3.4 of this report.

2.3 Compliance, fraud matters and significant audit difficulties

Auditing standards require us to comment if any of the following have been issues during the audit:

- Significant delays in management providing required information.
- An unnecessarily brief time within which to complete the audit.
- Extensive unexpected effort required to obtain sufficient appropriate audit evidence.
- The unavailability of expected information.
- Restrictions imposed on the auditor by management.
- Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.
- Any occasion where management unreasonably refuse permission to obtain a confirmation request from a third party or where no other alternative audit evidence is available.
- Any breaches of laws and regulations.

We have no such matters to bring to your attention

2.4 Going concern

Under ISAs (UK) the revised audit report includes specific references to going concern. The directors' 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.

As part of our work on going concern we:

- Reviewed the period used by Trustees to assess the ability of the trust to continue as a going concern.
- Examined budgets prepared by management covering the period of the going concern assessment to ensure these are appropriate.
- Reviewed the policy adopted regarding teachers pay increases and any associated budgeted income. We note that neither the increase in costs nor the potential available income has been budgeted for at this stage. However we understand that management consider that any additional costs will be suitably covered by the extension of the available teachers pay grant which means the impact on budget is minimal;
- Reviewed any other documentation which the Trustees use in assessing the going concern status and made any necessary enquiries of management.

In light of the significant level of available reserves held by the trust as at 31 August 2018 and the expected surplus that is forecast for 2019/20 of approximately £530,000 we are satisfied that the trustees' assessment of going concern is reasonable.

3. Other matters from our audit

In addition to matters relating to the key areas of accounting and audit focus as reported in Section 2, we have also noted the following matters from our audit work which we should bring to your attention.

3.1 Regularity and propriety reporting

The types of procedure applied to obtain sufficient appropriate evidence to support the conclusion on the regularity of transactions in the financial statements of an entity are the same as those applied 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.

An integrated approach is likely to bring efficiencies and enable a rounded picture of the trust's activities and this is the approach we have taken.

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

- Delegated authorities – consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.
- Transactions with related parties – consideration and review of related party transactions, ensuring they took place at no more than "cost"; review of counter party declarations.
- Governance – review of budgeting procedures and consideration of instances of irregular activities.
- Internal control – review of authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- Other – consideration of "value for money".

We have not identified any matters which would lead us to qualify our regularity opinion however we draw your attention to section 4 of this report which explains our conclusion in relation to the suspected fraud that was communicated to us as part of our audit planning. The suspected fraud relates to the awarding of an agreement between EWS and "Stay afloat", a swimming club. See section 4 for further details. We have not qualified our regularity opinion on this matter on the basis that the trust will notify the ESFA of the fraud as soon as possible in order to comply with the Academies Financial Handbook.

3.2 Academies Accounts Direction ("AAD") 2018-19

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

- There is now a requirement that a copy of the annual report and financial statements must be sent to every member of the trust and to every person who is entitled to receive notice of general meetings;
- Clarification that the statement within the pensions note that Parliament guarantee the LGPS liability relates to academy trusts not individual academies. The TPS element has been updated to reflect that revised employer contribution rates are expected to be payable from 1 September 2019;
- Detail of the new requirements from 1 April 2019 to report all transactions with related parties to ESFA, obtain approval where certain limits apply and include confirmation of this in the related party transactions note;
- Irregular expenditure includes all alcohol and any excessive gifts including those purchased from unrestricted funds;

- Additional areas to consider when testing governance to support the conclusion on regularity.

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

3.3 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 2019. The value of the liability at the year-end is £17.5 million which includes the pension deficit inherited on the Grace Academies of £5.8 million and a prior year adjustment of approximately £500,000 which is the result of the closing 2018 pension deficit being understated. Excluding the Grace transfer and the prior year adjustment, the pension deficit has increased by approximately 44% compared to the previous year.

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

The change in the balance sheet position over the year is mainly dependent on the following variables:

- **The performance of scheme assets during the year to 31 August 2019**

  Generally speaking scheme asset values have improved during the latter part of the year. The scheme invests largely in equities which have outperformed bond and gilt investments during the year. Equities have also outperformed the discount rate applied last year, leading to a gain in the scheme assets.

- **The price of corporate bond yields as at 31 August 2019**;

  The "present value" cost of providing employee benefits for the duration of the scheme is linked to the performance (the yield) of an AA rated corporate bond. Bond yields have slightly increased compared to last year, meaning the scheme liabilities are discounted at a higher rate than the assumptions adopted last year. All things being equal, this has the effect of reducing the value of the scheme's liabilities

- **Valuation of scheme liabilities at 31 August 2019**;

  Whilst the change in corporate bond yields is an important factor affecting the valuation of the scheme liabilities, so too is the assumed level of future inflation as this determines the rate at which benefits to members increase.

  The inflation rate this year has remained relatively steady at 2.25% (2018: 2.30%) which means the market's view of future inflation is largely consistent with the assumption adopted last year. Over the previous two years, this differential has been higher, meaning the expected inflation of future members' benefits was moving faster than the liabilities were being discounted.

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 paid by the trust amount to £1.12 million compared to £1.18 million advised by the Actuary.

The difference is approximately £59,000 and is not considered to be material to the trust's financial statements, nor to the total LGPS pension deficit 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.

We have mentioned previously the prior year adjustment. During the audit we identified a difference between the closing 2018 pension liability and that advised by the actuary as part of the 2019 closing. On discussion with management we were informed that the incorrect valuations was used in 2018 resulting in a difference of £494,800. This has been adjusted for in the current year current service cost figures.

3.4 Accounting for the transfer of predecessor Grace Academy schools.

On 1 April 2019, the assets, liabilities and operations of Grace Academy were transferred into Tove Learning Trust. Under charity accounting, and in line with the AAD, a transfer equal to the fair value of the assets and liabilities transferred should be recorded within Grace's financial statements as an outgoing resource (under donations). A corresponding transfer in should also be reflected by Tove Learning Trust, the recipient entity. It therefore follows that both transfers should equate to the same amount.

We have identified an adjustment of £900,000 which was required in order to ensure that the transfer into the trust was equal to the transfer out of the Grace Academy entity. This relates to cash that was transferred from the Grace Academy bank account into the trust's bank account. This amount was accounted for as accrued income in Tove's books.

However, under the transfer agreement, all assets and liabilities of Grace Academy were transferred to the trust on transfer date. It therefore follows that the £900,000 transfer should have been accounted for as a donation into the trust rather than as accrued income. The transfer is then akin to a transfer between two separate Tove bank accounts.

This adjustment has led to an increase in the trust's in–year surplus of £900,000.

A further adjustment was required amounting to approximately £164,000 which was required to reclassify other accrued income balances to cash at bank on the basis that even the cash residing within the Grace Academy bank account is technically the trust's according to the transfer agreement. This transfer occurred in September 2019. This adjustment has not impacted on the trust's in-year surplus.

Finally an adjustment of £5,753,000 was made to reflect the opening pension deficit which was transferred to the trust on the transfer date. This has had the effect of reducing the restricted fund by the same amount.

3.5 Controls over disclosures

We have nothing to report on the way in which disclosures have been
pension liability for this year. Full GMP indexation will be applied to the LGPS pension liability once changes to the LGPS have been formally announced.

3.6 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.

The effect of this judgment has been included in the actuarial valuations for the trust as at 31 August 2019.

4. Internal control matters

We have set out below the key internal control matters identified during our audit work which we believe merit being reported to you. These matters have been categorised into the following areas:

- Matters arising in relation to regularity and propriety
- Matters arising in relation to system deficiencies and potential improvements

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues raised by significance/priority before any corrective actions are taken. Our evaluation of the systems of control at the trust was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of your business processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

Matters arising in relation to regularity and propriety

	These findings are significant and will be included in the regularity report	*(no comments in this category)*
	These findings require reasonably prompt corrective action but do not require inclusion in the regularity report	*(1 comment in this category)*
	These findings merit attention within an agreed timescale.	*(no comments in this category)*
Audit finding and recommendation		**Management response**
1. Suspected fraud at EWS (stay afloat swimming club) 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. 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. We understand that the policy has since been updated to explicitly state that any invoices & agreements should be counter signed by a superior. 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.		Accepted. The issue exposed a potential weakness in the policy that has since been addressed.

Matters arising in relation to system deficiencies and potential improvements

🔴	These findings are significant and require urgent action.	*(no comments in this category)*
🟠	These findings are of a less urgent nature, but still require reasonably prompt action.	*(4 comments in this category)*
🟢	These findings merit attention within an agreed timescale.	*(2 comments in this category)*

Audit finding and recommendation	Management response
2. Fixed Asset Registers We have identified the following improvements to the maintenance of fixed asset registers across the trust. 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; 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.	Accepted It is acknowledged that the systems in place at the newest schools to join the trust are different to existing schools in format and policy. These schools will be given a template and asked to transfer the assets register over to the new format. Work is also already underway by the Estates Manager to ensure each school is using the same software to register assets and inventory items, and record all acquisitions and disposals in a similar way.

Audit finding and recommendation	Management response
3. Bank reconciliations (Grace Darlaston) 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. Bank accounts should be fully reconciled on a monthly basis to ensure that trust income and expenditure is recorded accurately and intact.	Accepted The trust introduced new finance system at the beginning of April and it took a lot of getting used to. All our schools are required to reconcile their banks accounts on a monthly basis in normal circumstances but the trust acknowledges that there were some issues in the period Apr to Aug which made that difficult.
4. Accounting for inter-school transactions 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.	Accepted The trust does have a policy in place that states all inter-company transfers should be actioned and reconciled by the Principal Accountant. Due to the 3 new schools joining in April, there were a number of transactions that were processed where the policy was not followed. This has now been addressed and the policy discussed with those schools to ensure compliance in the future. The control account will also being reconciled monthly
5. Accounting for capital grants 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.	Accepted This accrual was missed.

Audit finding and recommendation	Management response
6. Accounting for Bursaries (agency arrangement) 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.	Accepted This was done in some schools but not others but was not picked up on consolidation.
7. Journal processing 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. 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.	Accepted It is stated in the trust's Scheme of Financial delegation that journals should be signed by two people, three for a cash book journal. This process has been highlighted again to all finance staff across the trust.

5. Reporting audit adjustments

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature. Our audit approach is based on consideration of audit materiality as explained in section 1 of this report. We determine materiality for the purposes of the trust's statutory reporting by our judgement as to what adjustments would influence the readers' perceptions of the financial statements. We do not therefore seek to review all immaterial amounts.

For the purpose of reporting non-trivial items identified as a result of our audit work which have not been adjusted in the financial statements we set out in our Audit Planning Letter that we would report unadjusted misstatements greater than £17,500 unless they are qualitatively material at a lower amount. We have reported in section 2 above significant matters from our audit and the potential financial impact and which have resulted in adjustments that have been agreed with management and reflected in the financial statements.

Crowe

	GAS	Sponne	Rushden	Lord Grey	GAD	GAC	Trust	Elizabeth W	Pension	TOTAL
DRAFT										
Income (enter as positive)	21,420,605	7,527,962	5,687,590	8,108,380	21,940,104	27,473,048	934,268	7,394,378		100,486,335
Expenditure (enter as negative)	- 2,130,791	- 7,414,168	- 4,887,279	- 8,247,991	- 2,418,491	- 1,956,203	- 732,868	- 6,094,669	-	- 33,882,460
Deficit/surplus	19,289,814	113,794	800,311	- 139,611	19,521,613	25,516,845	201,400	1,299,709	-	66,603,875
Per draft stat accs										
AUDIT ADJUSTMENTS										
Recognising opening GA pension deficit upon transfer									- 5,753,000	- 5,753,000
Clear £3 on reserves bfwd							- 3			- 3
Correction of interacademy errors					- 5,688					- 5,688
Correction of interacademy errors					-		- 258			- 258
Recognising ethos staff	- 22,158				- 30,316					- 52,474
Reclassifying debit balances on income - relates to R&M - net effect										-
Adjusting balances out of loans and recognising as part of restricted earnings	300,000				300,000	300,000				900,000
Missing catering accrual	- 12,761									- 12,761
Bursary adjustment. Netting off income + expenditure		- 10,133	- 7,297	- 15,498				- 6,963		- 39,891
Missing invoice accruals								- 77,482		- 77,482
correction of GA depn - incorrectly used GA accounting policy % post transfer	41,355				38,250	55,573				135,178
Audit accrual							- 27,600			- 27,600
Correction of CIF accrued income		5,614								5,614
Reclass GAS debit balance in corresponding credit in RA			- 85,446				85,446			-
Net off Eliz W credit with Trust debit in income							100,000	- 100,000		-
Accrual of further 2 months of Sponne CIF income		69,252								69,252
School fund movement - Sponne		- 5,779								- 5,779
FRS pension adjustment									- 5,761,000	- 5,761,000
Prior year correction of FRS pension									- 494,800	- 494,800
Revised deficit/surplus	19,596,250	172,748	707,568	- 155,109	19,823,859	25,872,418	358,985	1,115,264	- 12,008,800	55,483,183

In addition to those errors that have been adjusted by management we have also identified certain other items which have not been adjusted in the draft financial statements. We have summarised below the potential overall impact of these items on the financial statements and we will be requesting confirmation that management do not wish to adjust for these errors.

	Net income increase /(decrease)	Assets increase /(decrease)	Liabilities increase /(decrease)
	£000,s	£000,s	£000,s
Net funds per draft financial statements	55,483		
Accrue for additional gas credit notes (Rushden)	40		(40)
Total potential adjustments	40		(40)
Potential revised results after potential adjustments	**55,523**		

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