

Nexus Multi Academy Trust

Audit Report Encompassing the Management Letter, Systems Findings and Other Audit Matters

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15 December 2021**

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1. Audit introduction and general comments

The audit was completed successfully and without any major problems.

We found your team helpful and not evasive in any way, which allowed us to obtain information freely and easily.

It is also worth noting that our audit work is only conducted on a sample basis, so is unable to guarantee that all errors are found. As it is completed on a test basis, you may feel that certain areas, such as review of specific controls, especially in connection with wages, tax and VAT obtain a further review.

The finance team need to be aware that the Accounts Return needs to be completed by Forrester Boyd by the deadline of 25 January 2022.

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit.

2. Key audit areas

Key Audit Areas	Our Approach
Income recognition	<p>We will reconcile any GAG funding to the funding document provided by ESFA. All other material grant funding will be agreed to funding documentation.</p> <p>Other material income streams will have controls testing completed.</p>
Completeness and accuracy of payroll	<p>As payroll is the main cost in the accounts a proof in total will be completed, agreeing the wages per the payroll provider back to the accounts. We will also test controls surrounding authorisation of payroll and ensure deductions surrounding PAYE and NI are made correctly.</p>
Compliance with the ESFA requirements to ensure there are no regularity issues.	<p>We will ensure the academy trust is complying with the 'musts' in the Academies Financial Handbook and that purchases made are deemed to be appropriate academy trust expenditure.</p>
Statement of Financial Activities and fund allocations	<p>We will review the major classification of income and expenditure to confirm they are consistent with expectations and to consider whether explanations are reasonable.</p> <p>We will review the allocation of funds in the statement of financial activities and ensure that this appears appropriate and in line with our expectations.</p>
Valuation of donated assets	<p>As this is a single large income stream and fixed asset addition, the value of the land and buildings donated will be agreed to a third party document.</p>

3. Overview of the year

We can make the following summary comments in connection with the year end accounts:

Income excluding transfers on conversion and donated land and buildings

The income is made up of the following:

	2021 £	% of income	2020 £	% of income
Funding for the Academy Trust's educational operations (Note 3)	28,586,308	94.34%	20,565,334	95.44%
Other income	1,713,654	5.66%	981,541	4.56%
Total	30,299,962	100.00%	21,546,875	100.00%

94.34% (2020: 95.44%) of the total income, excluding any transfers on conversion, is made up of Government Revenue Funding. In addition to the above this year there is income related to the building donated by the DfE for Bader School of £7,575,250 and for last year the transfers on conversion of £25,247,487 relate to the schools joining the Trust. The % of government revenue funding can vary dependent on the types of income received by an Academy Trust and in this case we have seen a small decrease. This is mainly due to the additional capital grants increasing from £548,704 to £1,155,226 for which reasons are explained on page 4. We have however seen a large increase in total revenue funding due to the following reasons:

- The opening of Bader School on the 1 September 2020 which has had £1,343,929 of revenue funding;
- Five of the schools who joined the Trust part way through the previous year now contributing their first full year of funding;
- An increase in pupil numbers across the Trust of 96 compared to the previous academic year; and
- Additional support in terms of Covid-19 funding this year totalling £559,033.

These Government funding income streams have been proved in total, by reviewing agreements from funding providers.

Other income can be broken down as follows:

	2021	2020
	£	£
Donations and capital grants excluding Bader building (note 2)		
School fund/trips income	51,795	61,622
Capital grants	1,228,938	548,704
Other donations	821	27,140
Donated fixed assets	17,500	13,650
	<u>1,299,054</u>	<u>651,116</u>
Other trading activities (note 4)		
Hire of facilities	27,180	35,629
Catering income	99,045	55,530
Insurance income	14,033	21,198
Other income	184,466	164,687
Transport services	89,876	53,154
	<u>414,600</u>	<u>330,198</u>
Investment income (note 5)		
Deposit Account Interest	-	227
<u>Total</u>	<u>1,713,654</u>	<u>981,541</u>

School fund/trips income has decreased mainly due to the effects of the pandemic.

Capital grants have increased mainly due to additional CIF funding at Coppice of £245,342 for fire safety works, DfE Managed Free School grants at Bader of £163,250 for the initial ICT infrastructure and SCA funding of £435,904 received by the Trust this year.

Other donations are minimal as expected due to the difficulty of receiving donations when the Trust is not registered with the Charities Commission and we are aware you are looking at setting up a charity to help improve in this area. Please do speak to us on this to ensure compliance with the connected charity rules. However last year you received some larger donations such as £10k for a tunnel.

The DfE have continued to donate ICT devices such as laptops to the schools.

Hire of facilities has decreased which is as expected given the pandemic covering only 5 months of last year compared to a full year this year.

Catering income has increased by £43,515 mainly due to an increase in Coppice of £9,012, North Ridge of £14,236 and new school Bader having catering income of £4,255. Coppice converted to an academy trust in December 2019 and so only had 9 months of income in 2019/20. Similarly North Ridge converted to an academy trust on 1 April 2020 and so had only 5 months income, with much of that period being affected by the pandemic.

Insurance income is lower but this can fluctuate year on year and is mainly down to the Trust not requiring as much in teacher absence insurance claims this year.

Other income includes items such as sale of uniforms, income from clubs and sale of good or services with the local authority which has increased by £19,788 and is in line with expectations given the increase in pupil numbers.

The increase in transport services also correlates with the increase in pupil numbers.

There is no deposit account interest due to the Trust closing any fund accounts and having one centralised bank account.

Our audit work has not highlighted any systems issues or cut off concerns in respect to other income.

Expenditure

The main costs relating to the Academy trust are salaries at £22,684,999 (2020: £16,631,344) being 77.75% (2020: 78.46%) of your total non-fixed asset costs and 78.08% (2020: 79.26%) of income, excluding capital and transfers on conversion.

These percentage are below the maximum guidance from ESFA of 80%. Due to the nature of the academies we would expect to see this percentage at the higher level, so it is pleasing to see the Trust is managing staff costs well.

These costs have been reconciled to your payroll provider's reports with no material errors.

The average salary per teacher is £40,248 (2020: £30,370). This has increased due to a high proportion of UPS teachers at Becton and also the 2.75% pay rise for all teachers and other staff moving up spinal points. There are also now two additional Executive Heads in place.

Other sizeable costs or costs worthy of note, relating to Academy trust's educational operations are as follows:

	2021	2020
Educational Supplies	£505,837	£308,325
Examination Fees	£25,694	£10,371
Educational consultancy	£433,157	£300,876
Other direct costs	£400,825	£357,304
Technology costs (direct)	£170,215	£129,956
Depreciation	£1,184,766	£908,182
Maintenance of premises and equipment	£830,427	£592,460
Cleaning	£365,355	£254,400
Rent, rates and utilities	£576,795	£440,168
Catering	£461,029	£226,873

Educational supplies, examination fees and educational consultancy have all increased when compared to the previous year due to the lockdown last year from March 2020 to August 2020, five schools joining the Trust part way through last year and also the opening of Bader School at the beginning of this year.

Other direct costs includes direct costs otherwise categorised in the above with the most significant costs being teachers' supply insurance of £36,270, vehicle insurance of £35,444, ICT licences and contracts of £105,257 and vehicle hire of £47,974. Once again these costs have increased due to the factors mentioned above.

Direct technology costs increased mainly due to broadband costs increasing as a result of having a full year's worth of costs for Craggs, Heatherwood, Coppice, Becton and North Ridge as well as the new school this year, Bader.

Depreciation has increased firstly due to the donated building at Bader resulting in additional depreciation of £151,505 as well as the other fixed asset additions in the year totalling £1,880,391 attracting further depreciation.

Maintenance of premises and equipment has increased quite considerably firstly due to general building repairs and maintenance increasing from £109,418 to £194,975 which was mainly in Abbey, Kelford, Heatherwood, North Ridge and Pennine View. The most significant costs in these schools this year were as follows:

- Kelford - £2,533 for supplying and fitting flooring, £2,765 to supply and fit fence and £5,360 for remedial works;
- Heatherwood - £4,312 for electrical work;
- North Ridge - £3,950 for air conditioning;
- Pennine View - £2,360 for boiler investigation and £3,800 for additional car park lighting;
- Abbey - £21,634 for fixed wire testing repairs.

Secondly included here is the PFI cost at Craggs which increases each year.

In general maintenance and premises of equipment can vary each year as a result of 'one off' repairs required from time to time and with the addition of Bader and full year of costs for the five new schools, an increase of this size is reasonable.

Cleaning has increased which has happened across all of our Academy Trusts and is due to the lockdown last year as well as additional cleaning required to help with the pandemic.

Rent, rates and utilities have increased mainly due to the Bader building and a full year of energy costs for all schools but also due to Becton expanding into the Chapel increasing the rent.

Catering costs again have also increased due the lockdown last year as well as the first full year of all schools within the Trust.

The remaining expenditure relates to the general running of the school and do appear reasonable and our audit work has not found any material errors or cut off issues.

Balance sheet

The main figure on the Balance Sheet is your fixed assets with a net book value of £52,415,930 (2020: £44,145,055). This has increased mainly due to the addition of the Bader School building with a cost of £7,575,250.

Other figures include:

Debtors **£1,017,929 (2020: £1,931,227)**

This includes mainly the VAT debtor, prepayments and accrued pupil premium income. The balance has decreased by £913,298. This is mainly because accrued income has decreased by £982,983. In previous years there was additional accrued income in the Trust relating to TCAG grant totalling £144,322, in Kelford relating to RMBC Advance Shortfall totalling £113,845, in Hilltop relating to RMBC Advance Shortfall totalling £299,449 and SDC capital for building works totalling £69,500 and finally in Becton relating to Top up funding Kenwood totalling £108,680 and a carry forward from Sheffield CC totalling £186,238.

Cash at bank and in hand **£5,662,075 (2020: £2,823,063)**

Cash levels are sizeable enough to cope with any unexpected costs, though due to the nature of cash, this balance can vary significantly day by day. The balance has been confirmed to third party confirmations. The increase has arisen mainly due to the surplus made this year which is explained on page 9.

Creditors due within one year **£2,158,470 (2020: £1,692,956)**

Creditors due within one year includes amounts owed to suppliers, accrued costs and deferred income, tax and pension owed in relation to your payroll and SALIX and CIF loans. This has increased mainly due to the increase in deferred SEN income from £178,156 to £548,971 as well as the increase in tax and pension owed which has increased from £579,773 to £700,148 this year, both mainly due to the opening of Bader School.

Creditors due after one year **£65,405 (2020: £60,749)**

Creditors due after one year includes amounts owed in relation to SALIX and CIF loans. This has remained consistent with previous years.

Pension Liability **£26,698,000 (2020: £20,100,000)**

This balance is based on work done by Mercer, the academy trust's actuary and can move up and down based on a number of Actuary assumptions. Changes in assumptions by the actuary have resulted in an increase in the deficit of £6,598,000 in the period (2020: £9,932,000 increase).

The liability is underwritten by the DfE so should never become payable by the Academy Trust. However, it is possible that your annual contribution could increase.

Overall

This year has seen an increase in funds, due to the increase in fixed assets outweighing the increase in the pension deficit as well as the surplus made this year.

The total amount free reserves available for the Academy Trust to spend in the future has increased to £3,315,444 (2020: £2,666,289) and is made up of:

- Unrestricted funds total carry forward of £2,150,843 which have increased by £321,073.
- Restricted funds, which exclude the fixed asset fund and pension reserve, total carry forward of £1,164,601 which was £836,519 last year.

4. Independence and ethical matters

As discussed in the pre-year end meeting and confirmed in our letter. There is a potential ethical issue, i.e. a self-review threat arising from our firm being involved in completing the accounts and the audit work completed.

In order to mitigate these risks we will mitigate the self-review threat in relation to the production of the Financial Statements by having another member of our Academy trust team, not involved in the audit, reviewing the accounts and completing the required accounts production checklist.

We believe the Academy trust has individuals and groups within its management that can make decisions and understand the finances of the Academy trust, including the Financial Statements. We note this group of people as being 'informed management' and can actively approve any adjustments that we make to the accounts.

By informed management we mean that "a member of the management of the Academy Trust who is capable of making independent decisions or judgements on the basis of information provided".

We agreed in our pre year end meeting and the subsequent letter sent to you, prior to the commencement of the audit, that the following individuals were considered to be informed:

Accounting Officer

Chief Financial Officer (or equivalent)

The Trust Board of Directors as a whole is also deemed to be informed.

If you do not believe that the above group of people are informed, please inform us immediately as it will potentially mean that we have to ensure further safeguards are put in place and a second partner completes a review of the file.

5. Formal matters to be reported

In accordance with our normal practice we are writing to draw your attention to various matters which arose during the course of our audit of the academy trust accounts for the period ended 31st August 2021.

a) *Expected modifications to the auditors' report and regularity report*

There are no expected modifications to the auditors' report or the regularity report

b) *Unadjusted misstatements*

A schedule is included at section 8 stating there was one unadjusted misstatements determined during the course of our audit.

You have confirmed in the Letter of Representation that any amounts below £33,000 are trivial and do not need reporting to you.

c) *Material weaknesses in the accounting and internal control systems*

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts.

Section 6 of this report includes specific audit points and also contains details of actual and potential weaknesses identified during the course of our audit and our recommendations for improvements. It is not meant to be a full and accurate reflection of all weaknesses that may be present in your system.

In making our recommendations, we have considered the size of the academy trust and the number of staff you employ. We shall be glad if you will let us know what steps have been taken in connection with the above.

d) *Qualitative aspects of the entity's accounting practices and financial reporting*

We have no comments to make concerning the qualitative aspects of the academy trust's accounting practices and financial reporting.

e) Identification of Fraud

We are pleased to report that our audit has not found any instances of fraud.

f) Compliance with key laws and regulations

Our audit is required to consider and assess the academy trust's compliance with central laws and regulations, and consider the existence of breaches that could lead to a fundamental event, such as excessive fines that have a material impact on the financial statements, that threaten the going concern status of the entity, or legislation that could lead to the forced closure of operations.

Our work has not identified any instances of material breach, and the academy trust appears to have devoted sufficient resources, experience, skills and training to all key regulatory aspects of its affairs.

We are happy to offer any assistance necessary to ensure that this is the case.

g) Other information connected with the financial statements

Auditors are required to review any other information issued with audited financial statements, such as an annual review, web site announcement or trustees' report, and determine if such reports are consistent with the financial statements.

You have chosen to make public comment on the financial statements.

We are pleased to report that the trustees' report content is consistent with the financial statements.

h) Other matters required by Auditing Standards to be communicated

There are no other formal matters to be reported to you and the other details included within the report are above and beyond our requirements to report.

i) Other relevant matters relating to the audit

There are no other matters which we wish to draw to your attention.

6. Specific audit and control points

Following our recent audit visit, we have set out below the key observations of a systems and internal control nature that have arisen from the audit work undertaken.

The points are raised to assist the management team in strengthening and formalising the internal control environment, something which is essential and often overlooked in a small company environment.





These issues raised are not intended as, nor should they be construed as, criticism of management or individual persons. They are intended to be of assistance in establishing an appropriate system of internal control, essential to the academy trust if it is to grow.

Our audit focuses only on those aspects of internal control that are material to the production of accurate financial statements and safeguarding assets of the academy trust, and therefore is not exhaustive.

We only give consideration to peripheral areas if they directly support other systems of internal control or provide compensating controls to an area with potential weaknesses.

Where matters of efficiency come to our attention, we shall of course report these to you. However, the audit should not be relied upon to identify all matters of duplication or inefficiency in the allocation of responsibilities or the processing of transactions.

Key

-  Key concern - Action required immediately.
-  Moderate concern - Action believed to be required.
-  Minor concern - Action believed to be required, but not considered a significant issue.
-  No concern - Action not required but the suggested improvement should be considered.

Rating	Points noted	Suggested improvement	Benefit of control	Action and comments by the academy trust, including timescale for action
●	Not all trustee's business interests are declared on the pecuniary interest form and governor hub.	To declare all business interests on pecuniary interest forms and the academy trust website.	To ensure transparency to the general public.	A new procedure has been implemented for pecuniary interest forms whereby the Trust pre-populates the form with all recorded Companies House entries, thus taking the onus off the individual. The individual is then only required to note interests which are not recorded at Companies House.
●	There were a few instances where purchase invoices were not authorised in line with the delegation limits. There was also a few instances where quotes were not obtained.	Invoices should be authorised in line with the delegation limits and the finance procedures should be updated to show an approved supplier list where three quotes is not always necessary.	This will ensure the trust is in line with their own financial procedures.	More training will be deployed at the schools where these breaches have occurred.

Summary and conclusion

It is pleasing to report that our audit work has not identified any fundamental weaknesses in internal control systems, nor have we found any evidence of fraud.

We shall be pleased to discuss or advise on any of the above matters as required.

7. Surplus reconciliation and adjustments made

Please find detailed below the adjustments made during our audit work, which form part of the journals you approve within your letter of representation to us.

	£
Surplus per Academy Trust	9,726,413
Pension adjustment	(3,621,000)
Surplus per Accounts	6,105,413

If you require any clarification on the above adjustments please do not hesitate to contact us.

8. Unadjusted misstatements

Potential audit adjustment for 2021	Effect on Surplus (£)	Effect on Balance Sheet (£)
Deferred SEN income	148,816	(148,816)

You have confirmed in your letter of representation to us that:

- a) £33,000 is deemed to be trivial and any adjustment under this amount does not need to be reported on
- b) The above items do not require adjustment, as they are individually and in total not material.