

Audit Completion Report

The Balcarras Trust – year ended 31
August 2021

November 2021

Strictly private and confidential



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The Governors
The Balcarras Trust
East End Road
Charlton Kings
Cheltenham
Gloucestershire

16 December 2021

Dear Sirs / Madams

Audit Completion Report – Year ended 31 August 2021

We are pleased to present our Audit Completion Report for the year ended 31 August 2021. The purpose of this document is to summarise our audit conclusions.

As outlined in our engagement letter, our audit is conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement in the financial statements.

This audit completion report communicates matters of significance arising during our audit which we are required to communicate to you by our professional standards or that we consider should be drawn to your attention in writing because of their nature or potential impact.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0117 928 1765.

Yours faithfully



Jon Marchant

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 3 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement.

Misstatement and internal control recommendations

Section 4 sets out internal control recommendations and section 5 sets out audit misstatements; unadjusted misstatements total Nil.

Status and audit opinion

At the time of preparing this report, the audit is substantially complete,

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B.



02

Section 02:

Audit approach

2. Audit approach

Changes to our audit Approach

We did not make any changes to the audit approach that we planned.

Materiality

Our provisional materiality at planning stage was set based on a benchmark of 2% of revenue expenditure excluding depreciation. No changes to the materiality was noted.



03

Section 03:

Significant Findings

3. Significant Findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 16 we have concluded whether the financial statements have been prepared in accordance with Academies Accounts Direction 2020 to 2021, the Charities SORP 2019 and the Companies Act 2006 and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit.



3. Significant Findings

Significant risks

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

No unusual items or evidence of management override of control have been noted as a result of our journal entry testing. We have not noted any unusual accounting estimates or transactions outside of the normal course of business.



3. Significant Findings

Significant risks

Revenue recognition

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

How we addressed this risk

We have addressed this risk by reviewing and testing cut off procedures. We also reviewed revenue recognition policies for appropriateness.

Audit conclusion

No errors were identified from our testing.



3. Significant Findings

Key areas of management judgement

Local Government Pension Scheme assumptions

Description of the management judgement

To ensure that the assumptions used within the year end valuation of the Local Government Pension Scheme Deficit are appropriate.

How our audit addressed this area of management judgement

We arranged for our internal pension specialists to review the assumptions that have been applied and considered if these are appropriate based on our knowledge of the sector.

Audit conclusion

We are waiting for the report from our actuarial team in relation to the assumptions used. We have benchmarked your assumptions against the rates used by other educational entities with local government schemes and included a graph in the section below.



3. Significant Findings

Other areas of management judgement

Depreciation and amortisation

Description of the management judgement

The Trust has tangible (and intangible) fixed assets on its balance sheet which are subject to depreciation charges. Management are involved in the selection of the useful economic lives of these assets.

How our audit addressed this area of management judgement

We have reviewed the depreciation rates for reasonableness and ensured the rates have been applied appropriately.

Audit conclusion

We are satisfied that the depreciation rates used are reasonable and the calculation of depreciation appropriate.



3. Significant Findings

Other areas of management judgement

Capitalisation of fixed assets

Description of the management judgement

Management are responsible for identifying whether an item is capital or revenue in nature.

How our audit addressed this area of management judgement

We reviewed the methodology that has been used to ensure that this is appropriate for accounting for assets and in line with relevant accounting standards.

Audit conclusion

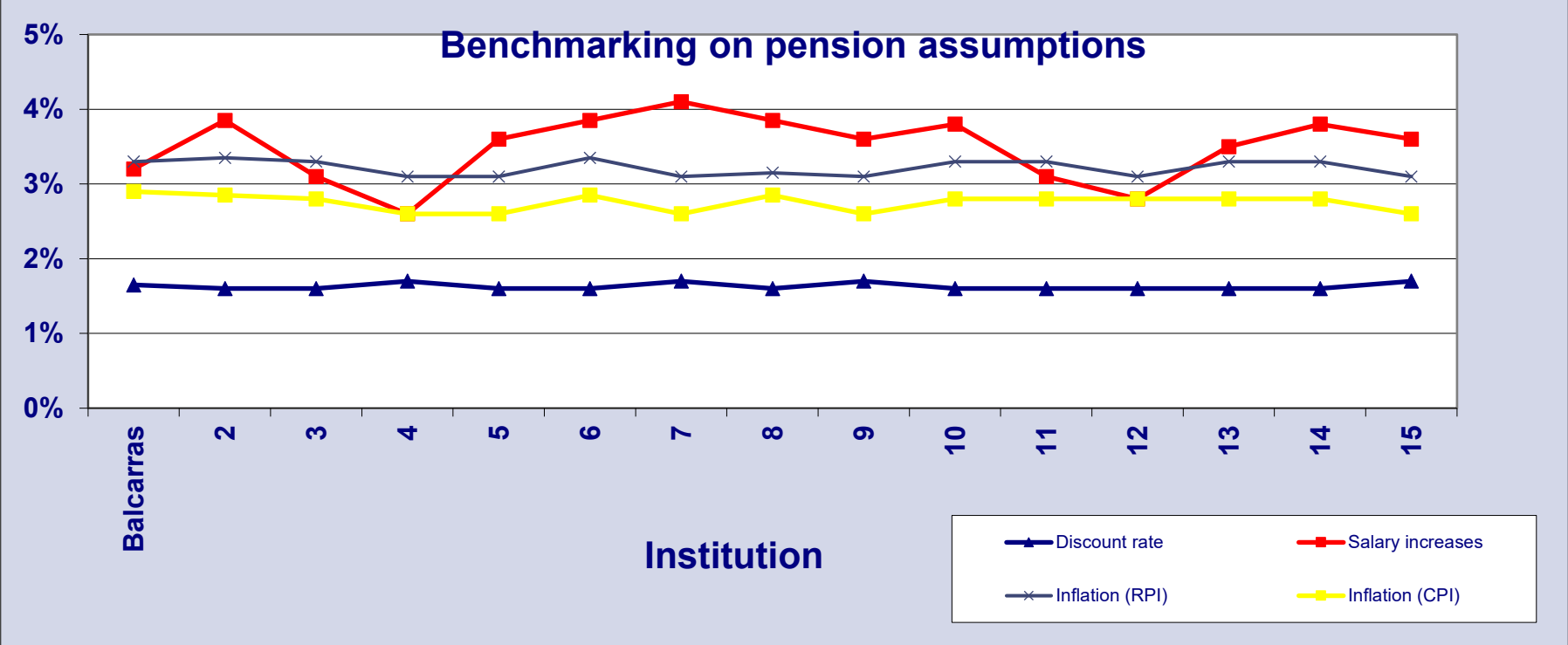
We are satisfied that items have been appropriately capitalised. We have noted no errors or anomalies in the capitalisation and accounting for the new building and have confirmed the 1.5% retention to creditors.



3. Significant Findings

Significant matters discussed with management

We have compared the actuarial assumptions with those of other colleges audited by Mazars and these comparisons are benchmarked in the graph below. The college's assumptions are broadly in line with those used by the other colleges in LGPS Pension funds, although there is wide variation in the salary increase assumption.



3. Significant Findings

Significant matters discussed with management

Change in accounting system

The Academy upgraded its financial system on 1 January 2021. This involved the transfer of all data from one system to another. This creates a risk that the data / transactions could be lost or inaccurately transferred. We have reviewed the reconciliation done by management and are satisfied that the opening position on the new system matched the closing position on the old system. In addition, we have split our audit testing into two separate elements to ensure that our sample selections covered both systems.

Reserves policy

The Academy previously set aside £345,243 into a designated fund to provide for future renovation work and other strategic initiatives. This fund has not changed in the financial year. Governors should ensure that any designated funds relate to known or expected future expenditure and ensure that the funds are utilised. The Governors should consider the intended use of this fund going forward and release any funds that are no longer required back in unrestricted funds.

In prior years the Academy has replenished any deficit on the GAG funding restricted funds using unrestricted funds. The Governors should consider whether they intend to do this in the current year also.

The Academy has previously identified and split out any specific funding (other than GAG) as specific restricted funds. The financial system should ensure that these are separate so that expenditure against each type of restricted grant can be identified. This will ensure that funds are used appropriately.

Fixed assets

The finance team have historically not accounted for fixed assets during the financial year, treating them as an end of year adjustment. We believe that fixed assets should be accounted for during the financial year, to align with a detailed fixed asset register.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management which we greatly appreciate. We are conscious that some delays have been caused through illness in our team and we appreciate management's flexibility in accommodating the change in timetable that this caused. We would also note that the change in system did create additional work and some delays as the new finance team had to operate an old system that they were not familiar with.

Accounting policies and disclosures

We have reviewed The Balcarras Trust accounting policies and disclosures and concluded they comply with the requirements of the Academies Accounts Direction 2020 to 2021, the Charities SORP 2019 and the Companies Act 2006.



3. Significant Findings

Regularity assurance engagement findings and conclusions

Our regularity assurance engagement was conducted in accordance with the Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts, issued by the Education and Skills Funding Agency. This sets out the framework and reporting requirements on the statement of regularity, propriety and compliance and the Board of Governors responsibilities and the scope of our work in our role as independent reporting accountant.

We are required to report to the Board and the Secretary of State for Education acting through the Education and Skills Funding Agency whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2020 to 31 August 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

We are required to report to you by way of management letter instances of irregularity that have been identified during the course of our engagement that we conclude are not material by virtue of value or nature, either individually or in aggregate, or does not relate to transactions underlying the annual accounts.

We did not identify any instances of irregularity through the course of this engagement.

At the time of issuing this report and subject to the satisfactory conclusion of the remaining work as listed in section 1, we anticipate issuing a unqualified regularity conclusion



04

Section 04:

Internal Control Recommendations

4. Internal Control Recommendations

Recommendations relating to the financial statements

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0



4. Internal Control Recommendations

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

During the course of our testing, management were not able to provide a signed contract / agreements for all staff members

Potential effects

It is advisable for all staff to agree to terms and conditions of employment .

Prior year position

This has been brought forward for a number of years. We are aware that the issue is with casual employees (cleaning staff) or exam invigilators who join staff for a short period of time. We were advised in 2020 that a template casual worker contract was now in place.

Update

Our 2021 testing highlighted that 3 out of the 10 joiners started did not have a signed contract. In each case the appropriate right to work checks had been completed.



05

Section 05:

Summary of Misstatements

5. Summary of Misstatements

As at the point of writing there are no unadjusted misstatements to bring to your attention. If our closing work highlights any items which we should bring to your attention we will highlight them to you in an updated report.

Adjusted items

The draft financial statements have been adjusted to reflect the updated pension liability as advised by your actuaries.





Appendices

- A: Draft management representation letters
- B: Draft audit and Assurance reports
- C: Independence
- D: Current and forthcoming sector information

Appendix A: Draft management representation letters

The Balcarras Trust - audit for year ended 31 August 2021

This representation letter is provided in connection with your audit of the financial statements of The Balcarras Trust for the year ended 31 August 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Companies Act 2006, Accounting and Reporting by Charities; Statement of Recommended Practice applicable to Charities (SORP 2019), United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, the Academies Accounts Direction 2020 to 2021 and the Academies Financial Handbook 2020 issued by the Education & Skills Funding Authority (ESFA).

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information

We believe that we have fulfilled our responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Companies Act 2006 and relevant legislation, United Kingdom Accounting Standards, the Academies Accounts Direction 2020 to 2021 and the Academies Financial Handbook 2020 issued by the ESFA.

Our responsibility to provide and disclose relevant information

We have provided you with:

access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;

additional information that you have requested from us for the purpose of the audit; and

unrestricted access to individuals within the company you determined it was necessary to contact in order to obtain audit evidence.

We confirm as directors that we have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

We have made you aware of any instances of non-compliance with either our funding agreement or the Academies Financial Handbook.

Accounting records

We confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and directors’ meetings, have been made available to you in accordance with section 499 of the Companies Act 2006.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with Section 10 of Financial Reporting Standard 102, Accounting and Reporting by Charities; Statement of Recommended Practice applicable to Charities (SORP 2019), the Academies Accounts Direction 2020 to 2021 and the Academies Financial Handbook 2020 issued by the ESFA and consider these policies appropriate to faithfully represent the effects of transactions, other events or conditions on the trust’s financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

We confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

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Appendix A: Draft management representation letters

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where: information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Companies Act 2006, Accounting and Reporting by Charities; Statement of Recommended Practice applicable to Charities (SORP 2019), the Academies Accounts Direction 2020 to 2021 and the Academies Financial Handbook 2020 issued by the ESFA.

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Fraud and error

We acknowledge our responsibility as directors of the company, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.



Appendix A: Draft management representation letters

Transactions with directors

We confirm that the company has at no time during the year entered into any arrangement, transaction or agreement to provide credit facilities including loans, quasi-loans, credit transactions, mutually beneficial arrangements, or guarantees or security for the foregoing or assumed or assigned any such rights or liabilities for any directors, shadow directors, alternate directors, or their connected persons, or non-director officers except as permitted by the Companies Act 2006 and as disclosed in the financial statements.

No director or their connected persons had a direct or indirect material interest in any other transaction or arrangement with the company other than those disclosed in accordance with section 413 of the Companies Act 2006 or exempted from disclosure by the Act.

Related party transactions

We confirm that all related and connected party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Companies Act 2006, Accounting and Reporting by Charities; Statement of Recommended Practice applicable to Charities (SORP 2019), the Academies Accounts Direction 2020 to 2021 and the Academies Financial Handbook 2020 issued by the ESFA.

We have disclosed to you the identity of the company's related parties and all related party relationships and transactions of which we are aware.

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Companies Act 2006, Accounting and Reporting by Charities; Statement of Recommended Practice applicable to Charities (SORP 2019), the Academies Accounts Direction 2020 to 2021 and the Academies Financial Handbook 2020 issued by the ESFA, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

To the best of our knowledge there is nothing to indicate that the company will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.



Appendix A: Draft management representation letters

The Balcarras Trust - Regularity Assurance Engagement for the year ended 31 August 2021– Letter of representation

This representation letter is provided in connection with your Independent Reporting Accountant’s Assurance Report on regularity to The Balcarras Trust and the Education and Skills Funding Agency.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for Regularity

I acknowledge as Accounting Officer my responsibility under the requirements of the The Balcarras Trust’s funding agreement with the Secretary of State for Education and the Academies Financial Handbook extant from 1 September 2020, for ensuring that expenditure disbursed and income received during the period 1 September 2020 to 31 August 2021 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

My responsibility to provide and disclose relevant information

I have provided you with:

access to all information of which I am aware that is relevant to the preparation of the regularity statements such as records, documentation and other material;

additional information that you have requested from myself for the purpose of your review; and

unrestricted access to individuals within the trust you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Accounting Officer that I have taken all the necessary steps to make myself aware, as Accounting Officer of any relevant information and to establish that you, as Reporting Accountants, are aware of this information.

As far as I am aware there is no relevant information of which you, as Reporting Accountants, are unaware.

I am not aware of any other instances of non-compliance with the Academies Financial Handbook extant from 1 September 2020 and the ‘musts’ checklist except for those already disclosed to you

Accounting records

I confirm that all transactions that have a material effect on the regularity statements have been recorded in the accounting records and are reflected in the regularity statements. All other records and related information, including minutes of all management and governors meetings, have been made available to you including minutes of all management and governors meetings, have been made available to you.

Fraud, laws and regulations, and whistleblowing

I have disclosed to you all knowledge of fraud or suspected fraud affecting the entity involving: management and those charged with governance; employees who have significant roles in internal control; and others where fraud could have a material effect on the financial statements.



Appendix A: Draft management representation letters

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

I am not aware of any other irregularities or possible non-compliance with laws and regulations or the funding agreement which might result in the Academy Trust suffering penalties or other loss. Nor am I aware of any allegations of such irregularities or non-compliance.

I am not aware of any whistle-blowing allegations or investigations.

Contingencies

The Academy Trust has given no guarantees, letters of comfort, or indemnities that would incur contingent liabilities for the Academy Trust.

Campaigning and fundraising activities

The Academy Trust has made no use of funds for political or campaigning purposes that would not be permitted by charity law.

The Academy Trust has not undertaken any fundraising activities that are restricted by the Charity Commission under publication CC20.

Covid 19

I have made you aware of any impacts of the Covid 19 pandemic that may be relevant to your work as Independent Reporting Accountant's on regularity.

Related party transactions

I confirm that all related and connected party relationships, transactions and balances have been appropriately accounted for and disclosed.



Appendix B: Draft Audit and Assurance reports

Independent auditor's report to the members of The Balcarras Trust

Opinion

We have audited the financial statements of The Balcarras Trust ("the 'Academy Trust') for the year ended 31 August 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities; Statement of Recommended Practice applicable to Charities (Charities SORP 2019) and the Academies Accounts Direction 2020 to 2021 issued by the Education & Skills Funding Agency.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page [X], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Academy Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Academy Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures

in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Academy Trust and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the funding agreement with the Department of Education, UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006, the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.



Appendix B: Draft Audit and Assurance reports

in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of the audit report

This report is made solely to the Academy Trust’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy Trust’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the Academy Trust’s members as a body for our audit work, for this report, or for the opinions we have formed.



Appendix B: Draft Audit and Assurance reports

Independent Reporting Accountant's Assurance Report on Regularity to The Balcarras Trust and the Education & Skills Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the extant Framework and Guide for External Auditors and Reporting Accountants of Academy Trusts, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Balcarras Trust during the period 1 September 2020 to 31 August 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Balcarras Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Balcarras Trust] and the ESFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Balcarras Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Balcarras Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Balcarras Trust's funding agreement with the Secretary of State for Education dated [] and the Academies Financial Handbook, extant from 1 September 2020, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the extant Framework and Guide for External Auditors and Reporting Accountants of Academy Trusts. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2020 to 31 August 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Planning our assurance procedures including identifying key risks;
- Carrying out sample testing on controls;
- Carrying out substantive testing including analytical review; and
- Concluding on procedures carried out.

Conclusion

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

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Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that we have not identified any threats to our independence.





Appendix D: Other Communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations – however at the point of writing we are still waiting for the bank confirmation to be provided. We expect this to be imminent.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going Concern</p>	<p>We have not identified any evidence to cause us to disagree with the board of Governors that The Balcarras Trust will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

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Appendix D: Other Communications

Other communication		Response
	Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate the board of Governors confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



Appendix E: Current and forthcoming academy sector information

ACADEMY TRUST HANDBOOK 2021 – EFFECTIVE FROM 1 SEPTEMBER 2021

Key changes within the Academy Trust Handbook 2021 which was released in June 2021 (as extracted from the “2021 Academy Trust Handbook”)

Name change

- Re-branding the Academies Financial Handbook to be known as the Academy Trust Handbook and highlighting the trusts’ existing responsibilities include a wider range of areas and providing close to a ‘one stop shop’ for trustees, local governors and leaders of trusts.

Roles and responsibilities

- Information on suitability checks for existing and future members
- Confirming that trusts should have reserved places for parents in their governance structure
- Highlighting trusts’ obligations in relation to safeguarding, health and safety and estates management – the handbook also includes links to further guidance
- Emphasising the process of appointing a senior executive leader as a trustee – new regulations in place if appointed from 1 March 2022
- Emphasising the value of external reviews of governance for trusts
- Advising trusts to liaise with their RSC when their senior executive leader is planning to leave the trust to discuss their structure and options
- Replacing the term clerk with governance professional
- Reminding trusts of the requirement for Disclosure and Barring Service checks

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Main financial requirements

- Explaining when trusts should review their scheme of delegation – it should be reviewed annually or immediately when there has been a change in Trust management or organisational structure
- Updating information on what trusts need to publish on their website in relation to employees whose benefits exceed £100k – it should include off payroll arrangements which exceed over £100k
- Reminding trusts of governance documents which need to be available for public inspection

Internal Scrutiny

- Explaining that the chair of the audit and risk committee should not be the same person as the chair of the finance committee
- Explaining that internal scrutiny must not be carried out by a member of the senior leadership team

Annual Accounts and external audit

- Setting out when trusts should re-tender for their external audit service – Trusts should re-tender their external audit contract at least every 5 years
- Explaining that trusts must obtain prior approval for staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k

The Regulator and intervention

- Introducing a requirement for trusts to provide ESFA with authority to obtain third party information
- Providing trusts with advice and guidance on cybercrime
- Renaming the Financial Notice to Improve (FNTI) to Notice to Improve (NtI) reflecting how ESFA intervenes in broader governance issues

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OTHER ESFA GUIDANCE DOCUMENTS

The ESFA has released a number of good practice guides to assist Academy Trusts at the following web address <https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides>

The guides cover the following areas:

- 1) Operating the Trust as a going concern – this considers the requirements and responsibilities of Academy Trusts. It also considers short term and longer term financial planning and monitoring and the importance of reserve levels.
- 2) Streamlined Energy and Carbon Reporting (SECR) – the guide explains which Academy Trusts need to report on SECR and what they need to disclose within the financial statements.
- 3) Choosing an external auditor – The guide provides information on how to find an auditor, what to consider when choosing auditors and the process for appointment, re-appointment and resignation of auditors.
- 4) Academy Trust deficit recovery – This guide discusses deficits and the plan for recovery. It also provides measures to consider when for recovering from a deficit situation.
- 5) Academy Trust risk management – this discusses the different lines of defence a Trust has and the steps to developing a risk management process.
- 6) Leasing – this guide discusses the leasing options available to a Trust and the cost implications for each.
- 7) Management accounting – This includes what format is expected within the management accounts and what the Trust's regulatory obligations are as per the Academies Trust Handbook.
- 8) Internal Scrutiny – This provides Trusts with the options available for Internal Scrutiny, what the coverage of the work should be and reporting requirements.
- 9) Academy Trust management letter – this considers the format of the letter and what is required to be included
- 10) External audit preparation list – this document has been used to create our audit request list for the current year.

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Mazars

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.