



Audit completion report

**Balcarras Trust – year ended 31
August 2022
November 2022**

Strictly private and confidential

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This document is to be regarded as confidential to Balcarras Trust. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Members of the Corporation. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

The Governors
Balcarras Trust
East End Road
Charlton Kings
Cheltenham
GL53 8QF

Ladies and Gentlemen

Audit Completion Report – Year ended 31 August 2022

We are pleased to present our Audit Completion Report for the year ended 31 August 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks, key audit matters and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 11th November 2022.

We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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 +44 07881 283 568.

Yours faithfully

Jon Marchant

Partner
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1. 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 4 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. The matters that were of most significance in our audit of the Financial Statements for disclosure in our auditor's report were:

- Valuation of defined benefit pension scheme liabilities;
- Management override of controls; and
- Revenue recognition.

Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £34,560.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 August 2022.

At the time of preparing this report the following matters remain outstanding.

- Final going concern work
- Letter from LGPS scheme re pension assets
- Letter of representation
- Final version of financial statements
- Minor audit work

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.









2. Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
 -  Potential to result in material adjustment or significant change to disclosures within the financial statements
 -  Not considered likely to result in material adjustment or change to disclosures within the financial statements
-
-  Minor audit work: we are finalising audit work, and it is not anticipated this will result in material adjustments to the financial statements.
 -  Going Concern: we are waiting on final going concern documents.
 -  Residual Pension work: we are awaiting on responses from the actuaries for the pension letter regarding pension assets. We will review the responses once received.
-



3. Audit approach

3. Audit approach

No significant changes to the audit approach noted from the Audit Strategy Memorandum issued at planning stage on 11th November 2022.

Materiality

Our updated comments on materiality are set out below.

Our provisional materiality at planning stage was set based on a benchmark of 2% of gross revenue expenditure excluding depreciation. Based on the final financial statement figures and other qualitative factors such as external debt and covenant compliance, the final materiality used in the audit was £214,000. This is unchanged from planning.



4. Significant findings

4. Significant findings

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

- our audit conclusions regarding other significant risks, key audit matters 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 14 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;

Significant risks and key areas of management judgement

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

There was no evidence of inappropriate management override of controls noted during our audit testing.

Significant accounting estimates were reviewed for appropriateness.

We did not identify any significant transactions outside the normal course of business.

Our review of journals and adjustments made in preparation of the financial statements has not identified any instances of inappropriate adjustments being made.

Revenue recognition

Description of the risk

There is a risk of fraud in income recognition due to the potential to inappropriately shift the timing and basis of income recognition as well as the potential to record fictitious revenues or fail to record actual income. Due to there being a risk of fraud in income recognition it is presumed to be a significant risk on all audits. For the Trust we see the income recognition significant risk as being principally in relation to:

Cut-off – accounting for non-funding body grant income in the wrong accounting period

How we addressed this risk

We addressed this risk by performing detailed testing across each income stream focusing on the recognition of income in the correct period. Our procedures were conducted so as to understand the policies for income recognition and to consider the risk of revenue being accounted for in the wrong accounting period.

Audit conclusion

Our work did not identify any instances where income had been recognised in the incorrect period.

We conclude that income is not materially misstated as a result of inappropriate income recognition.

**Defined benefit
pension scheme
assumptions**

Description of the risk

There are significant assumptions used in calculating the value of the Local Government Pension Fund (LGPS) deficit as at 31 August 2022, the school's proportion is disclosed in the financial statements.

How we addressed this risk

We addressed this judgement by reviewing the methodology to ensure the approach adopted provided a sound base for accounting in this area. We reviewed the assumptions underlying the methodology and the appropriateness of the disclosures.

We obtained a copy of the actuarial valuation report prepared for the LGPS and had the pension assumptions reviewed by our specialist Actuarial Valuations team given the specialist nature of this area.

We discussed with management what information they have requested from the Pension Scheme to understand how their share of the assets have been calculated and the information received by management with regards to the roll-forward of the assets to the value as at the 31 July 2022. We requested management to ask for some key information from the Pension Scheme in order to assist with their understanding of the key financial data included in the financial statements.

We sought from management information to support the membership numbers included in the Actuarial report and understand how management have gained comfort that the data is correct.

Audit conclusion

From the work performed, our actuaries have advised that the financial and demographic assumptions used by the School are reasonable and can be accepted. A benchmarking graph is included later in this report

Our draft report from our actuaries indicates no issue with the key actuarial assumptions. Our Actuaries have observed that there is no assumption for commutation disclosed.

Qualitative aspects of the entity's accounting practices

We have reviewed The Balcarras Trust's accounting policies and disclosures and concluded they comply with the requirements of the Academies Accounts Direction 2021 to 2022, the Charities SORP 2019 and the Companies Act 2006.

Significant matters discussed with management

LGPS pensions - CPI assumptions

There has been significant discussions around the CPI inflation assumption and what the forthcoming Pension Increase Order 2023 may mean for pension schemes as this has not been reflected in pension scheme data provided for the year ended 31 July 2022.

The Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year with reference to the change in CPI inflation over the 12 months to the previous September. This was published on 19 October and was 10.1% and thus considerably higher than the CPI assumption set by employers as at 31 July 2022 in their actuarial assumptions. There has been discussion as to whether actuarial data should be rerun to reflect this development. Any CPI order will likely not be legally enacted until Spring 2023 and they are not automatically set to September CPI (although they have been for many years). As this CPI increase was not known at the year end and, specifically, has not yet been enacted, we are not recommending that this is reflected in the figures but that a paragraph explaining this is included in the financial statements.

Other matters discussed with management

These matters included:

- Cost pressures and inflation
- Results for the year and going concern

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Regularity assurance

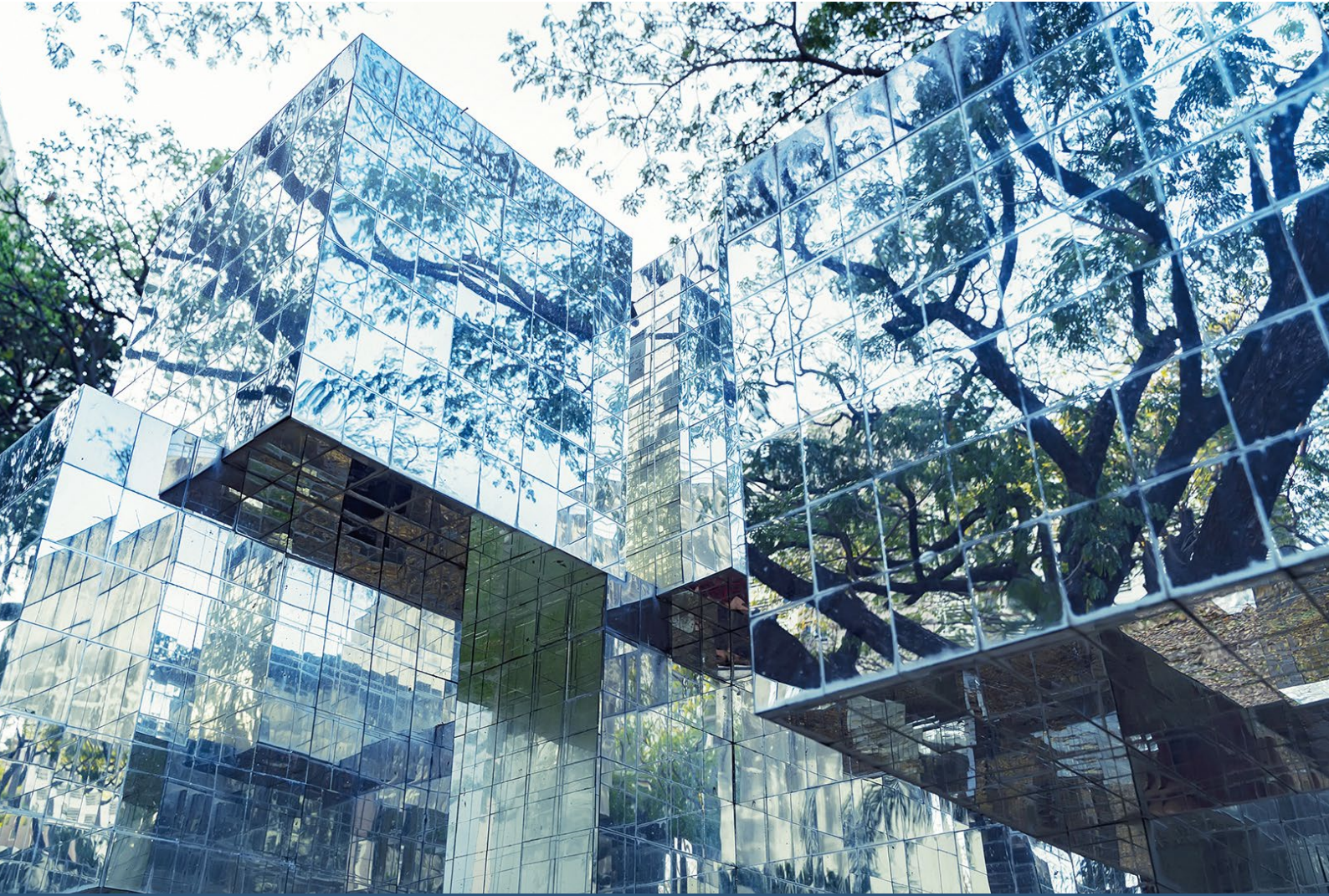
We are required to report to the corporation and the Secretary of State for Education acting through the Education and Skills Funding Agency whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2021 to 31 August 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not confirm 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 2021 to 31 August 2022 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.

Our proposed Regularity Assurance Report is set out in Appendix D.



5. Internal control recommendations

5. Internal control recommendations

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	Number of issues unresolved from the prior year
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	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.	1	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0	0

Level 2

Retention of employment records

During our testing of payroll, it was noted that one of the new joiners did not have a signed contract on file.

Potential effects

A contractual dispute would be more difficult to resolve.

Recommendation

We recommend all employee files be reviewed to ensure all signed contracts are maintained on the file.

Management response

Follow up of previous internal control points

There were no control points raised in the previous year.



6. Summary of misstatements

6. Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The final consolidated materiality thresholds used during the audit were:

- Opinion materiality £214,000
- Overall Performance Materiality £160,603
- Triviality £6,424

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Details of adjustment	Assets	Liabilities	Reserves	Income statement
DR Debtors	11,581			
CR Creditors		-11,581		
Description of adjustment				
Being for reclassification of debit balances in creditors listing.				
Dr Revenue				34,560
Cr Retained earnings			34,560	
Description of adjustment				
Being the adjusting entry to account for the 21-22 Rates Reclaim from the ESFA				

Disclosure amendments

No disclosure amendments were required.



Appendices

- A: Draft management representation letter
- B: Draft regularity representation letter
- C: Draft audit report
- D: Draft regularity assurance report
- E: Independence
- F: Other communications

Appendix A: Draft management representation letter

The Balcarras Trust - audit for year ended 31 August 2022

This representation letter is provided in connection with your audit of the financial statements of The Balcarras Trust for the year ended 31 August 2022 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.

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.

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 B: Draft regularity representation letter

The Balcarras Trust - Regularity Assurance Engagement for the year ended 31 August 2022 – Letter of representation

This representation letter is provided in connection with your Independent Reporting Accountant's Assurance Report on regularity to name of academy 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 Balcarras Trust's funding agreement with the Secretary of State for Education and the Academy Trust Handbook extant from 1 September 2021, for ensuring that expenditure disbursed and income received during the period 1 September 2021 to 31 August 2022 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 Academy Trust Handbook extant from 1 September 2021 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 trustees' 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.

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.

Yours faithfully

Accounting Officer

Appendix C: Draft audit report

Opinion

We have audited the financial statements of Balcarras Trust (“the ‘ Academy Trust’”) for the year ended 31 August 2022 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 2021 to 2022 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 2022 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 2021 to 2022.

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 trustees’ 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 academy trust’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 trustees 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 trustees are responsible for the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report including the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report including the incorporated Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the incorporated Strategic Report.

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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page [X], the trustees (who are also the directors for the purposes of company law) 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 trustees 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 trustees 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 trustees 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 activities, 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 2021 to 2022.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Academy Trust is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Academy Trust which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the funding agreement with the Department of Education, tax legislation, pension legislation, the Companies Act 2006, the Charities SORP 2019 and the Academies Accounts Direction 2021 to 2022.

In addition, we evaluated the trustees' 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, in particular in relation to income recognition (which we pinpointed to the cut off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the trustees 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.

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Address

Date

Appendix D: Draft regularity assurance report

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

In accordance with the terms of our engagement letter dated and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2021 to 2022, 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 2021 to 31 August 2022 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 and the Academies Trust Handbook, extant from 1 September 2021, 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 Academies Accounts Direction 2021 to 2022. 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 2021 to 31 August 2022 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 the 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 nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2021 to 31 August 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signature

Reporting Accountant

Mazars LLP





Date



Appendix E: 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 no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix F: Other communications

Other communication	Response
 Compliance with laws and regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p>
 External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 Related parties	<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> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 Going concern	<p>We have not identified any evidence to cause us to disagree with The Governors of the Corporation that 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>

Other communications	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 Members of The Corporation, 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 G: Current and forthcoming sector information

Periodic review of FRS 102 and other UK GAAP accounting standards

- The Financial Reporting Council (FRC) has begun the next review and update of FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102). FRS 102 is subject to periodic reviews, at least every 5 years, and this one follows the Triennial Review of 2017 that brought in new accounting requirements in 2019.

The first step of the process began in March 2021 asking for views from all stakeholders on areas that should be considered as part of the review, such as recent changes from IFRS. The process will likely result in some changes being brought into FRS 102, for example these could relate to the recent new standards from IFRS, such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. The FRC also asked for comments to be provided on any aspects of the standards, such as new issues or transactions that should be addressed within the requirements; comments or suggestions in relation to the current requirements; and consideration of recent developments in the wider reporting framework.

The FRC has now completed its roundtables and discussions with companies and stakeholders. The next step is for the FRC to publish a Financial Reporting Exposure Draft (FRED) setting out the proposed changes to FRS 102 and the other UK accounting standards. This is expected in 2022. The effective date for the changes is expected not to be before 1 January 2025, which may therefore result in an initial application date of 1 January 2024 for changes requiring retrospective application. The exact timing is, however, yet to be confirmed.

Publication of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Effective for audits of financial statements for periods beginning on or after December 15, 2021

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The main changes relevant to your audit are outlined below:

- **Enhanced risk identification and assessment**

The standard has enhanced the requirements for the auditor to understand the entity and its environment as well as the applicable financial reporting framework to identify the newly introduced inherent risk factors to drive risk identification and assessment (subjectivity, complexity, uncertainty, change, and susceptibility to misstatement due to management bias or fraud). Using these inherent risk factors, the auditor assesses inherent risk on the "spectrum of inherent risk", at which the higher end lies significant risks, to drive a more focused response to the identified risks. It should also be noticed that the standard requires the auditor to obtain sufficient, appropriate audit evidence from these risk identification and assessment procedures to form the basis of their risk assessment.

- **Greater emphasis on IT**

In response to constantly evolving business environments, the standard has placed an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, auditors are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs). However, the standard acknowledges the fact that there is a need for scalability in gaining this understanding and provides more detailed guidance on how to approach the topic depending on the complexity of the commercial software and/or IT applications.

- **Increased focus on controls**

Off the back of the emphasis for auditors to gain a greater understanding of the IT environment, the standard has also widened the scope of controls deemed relevant to the audit. Auditors are now required to increase their understanding of controls implemented by management, as well as assess the design and implementation of those controls, which include ITGCs.

Academy Trust Handbook 2022 – Effective from 1 September 2022

Key changes within the Academy Trust Handbook 2022 which was released in August 2022 (as extracted from the “2022 Academy Trust Handbook”)

Financial Reporting

- Confirming withdrawal of the Budget Forecast Return Outturn

Special payments

- Clarifying in paragraph 5.12 that prior approval of staff severance payments in accordance with HM Treasury’s Guidance on Public Sector Exit Payments applies only to ‘special’ (non-statutory/non-contractual) payments.

Indemnities

- Confirming that trusts will be able to enter into indemnities which are in the normal course of business without seeking approval

Religious Character

- Extending the scope of paragraph 5.57 from dioceses to all religious authorities, confirming when the ‘at cost’ requirement is met.

Schools white paper – issued March 2022

Key items within the paper were:

- The launch of a new multi academy trust Chief Executive Officer development programme for established leaders, such as executive headteachers and senior staff in academy trusts. This will support their development and preparedness for Chief Executive Officer roles.
- Local authorities will be able to establish new multi academy trusts where too few strong trusts exist, enabling high performing schools with a track record of local partnership to formalise their relationships and add expertise and capacity to the trust system. These trusts will be regulated in the same way as any other trusts, and the government will ensure that safeguards are in place to effectively manage any potential for conflicts of interest both for the trust and the local authority – including limits on local authority involvement on the trust board.
- Provide assurance to Church and faith schools when they join or form trusts, bringing forward legislation to ensure that statutory freedoms and protections that apply to Church and faith maintained schools also apply to academies with a religious character. The paper recognises the costs which Dioceses and other religious authorities face in establishing trusts and will develop options for financial support, allowing strong Church and faith trusts to drive even higher standards in these schools.
- Schools in rural areas can be particularly important to their communities, and Diocesan trusts and trusts established by local authorities will be well placed to ensure these schools are effectively supported. The Government will also continue to apply the presumption against closure of rural schools and our national funding formula reform has seen the funding schools attract through the sparsity factor more than double to £95 million.
- Ofsted will inspect all schools against the current inspection framework by the end of the summer term 2025, to provide a quicker assessment of recovery from the pandemic. The inspections will mean parents receive up-to-date assurance about the quality of education being provided, schools receive timely information to inform their plans for improvement and Ofsted is able to give swifter recognition to schools as they strive to recover. The programme will include Outstanding schools that were until recently exempt from routine inspection to ensure independent assurance on standards in every school.
- The Government want all schools to be in or joining a strong trust by 2030 and will engage with the sector on how best to achieve a fully trust led system.
- Trusts should have at least 10 schools or 7,500 pupils

Other ESFA 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 guide include cover the following areas:

- 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.
- 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.
- 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.
- 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.
- Academy Trust risk management – this discusses the different lines of defence a Trust has and the steps to developing a risk management process.
- Leasing – this guide discusses the leasing options available to a Trust and the cost implications for each.
- 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.
- Internal Scrutiny – This provides Trusts with the options available for Internal Scrutiny, what the coverage of the work should be and reporting requirements.
- Academy Trust management letter – this considers the format of the letter and what is required to be included
- External audit preparation list – this document has been used to create our audit request list for the current year.
- Tendering 'Jargon busting' guide

Other ESFA documents (continued)

The ESFA has released a number of Academy Financial Management and assurances guides at the following web address <https://www.gov.uk/education/school-and-academy-financial-management-and-assurance> which have included:

- Guidance and regulation documents which includes information on topics such as:
 - Risk protection arrangement (RPA) for schools
 - Academies Budget forecast return
 - Finding a DfE approved framework
 - Buying for schools
 - School resource management: top 10 planning checks for governors
 - Academies Chart of Accounts and automating the Accounts Return
 - Related party transactions and information for Academy Trust's
 - Changes to the payment process of Academy business rates

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