

Dame Alice's Owens School

Audit Findings and Management Letter

Audit for the year ended 31 August 2024

Prepared 7 October 2024

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Introduction

Following completion of our audit fieldwork, we present our audit findings report and management letter for the attention of the Trustees and those charged with governance of Dame Alice's Owens School on the financial statements for the year ended 31 August 2024. This report summarises key issues in connection with the audit of financial statements and with the regularity assurance engagement, which we consider should be drawn to the attention of the Trustees.

We note that the Trust is required to provide a copy of this report to the Education and Skills Funding Agency (ESFA) by 31 December 2024 together with the Trust's financial statements.

The report has been prepared for the purpose of recording the audit scope, approach and risk areas and for communicating audit issues raised with those charged with governance.

We have listed possible improvements to accounting and internal control systems. This does not comprise a comprehensive statement of all weaknesses that may exist or of all improvements that could be made. It addressed only those matters that have come to our attention as a result of the audit procedures we have performed for the purpose of expressing an opinion on the financial statements. As required by International Standards on Auditing (UK and Ireland) the audit included consideration of internal controls relevant to the preparation of the financial statements in order to design appropriate audit procedures but not for the purpose of expressing an opinion on the effectiveness of internal control.

The report has been prepared in compliance with ESFA's requirement for reporting to both the Trustees and ESFA through a management letter and to comply with the provisions of International Standards on Auditing. No reports may be provided to third parties, with the exception of ESFA, without our prior consent. Consent will only be granted on the basis that such reports are not prepared with the interest of anyone other than the Trust in mind and we accept no duty of care or responsibility to any other party. The report may not be relied upon for any other purpose. No responsibilities are accepted by

Baxter & Co. towards any party acting or refraining from acting as a result of this report.

For ease of reference, we have summarised and prioritised our findings below:

High priority recommendations	0
Medium priority recommendations	0
Low priority recommendations	0
Total	0

High risk: issues where there is a risk of significant financial impact on the Trust that must be addressed immediately.

Medium risk: issues where there is a risk of moderate financial impact on the Trust that should be addressed soon; and

Low risk: issues that relate to minor control deficiencies or enhancements in control efficiency. These should be addressed within an agreed timescale.

If you have any queries regarding the matters raised in this report, or other issues of concern, please contact us as soon as possible.

Finally, we would like to express our thanks to all of the Trust's staff that assisted us in carrying out our work.

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The Audit Process

Audit approach and scope

Our general audit approach is determined by our assessment of the audit risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the Trust operates. Our outlined approach is summarised as follows.

- we will update our understanding of the Trust and its environment through discussions with management and a review of available financial information.
- we will obtain evidence to support material balance sheet accounts and perform analytical review procedures of income and expenditure streams.
- we will obtain evidence to support the Trust's Regularity, Propriety and Compliance in relation to the income received and expenditure disbursed during the year.
- we will review the design and implementation of key internal financial control systems, including reviewing the reports issued from the internal assurance reviewer;
- we will review the adequacy of material disclosures in the financial statements in accordance with FRS102, the Charities SORP and the ESFA's Annual Accounts Direction 2023/24.
- we will review the information in the Trustees' Report for the financial year ensuring it is consistent with the financial statements; and
- we will form an opinion whether the financial statements give a true and fair view of the state of the Trust's affairs as at 31 August 2024.

Overall audit strategy

We performed a risk based audit, focusing our work on key audit areas.

ISAs assume that "significant" risks will arise on most audits. Significant risks are often derived from business risks that may result in a material misstatement, relate to unusual transactions that occur infrequently, or judgemental matters where measurement is uncertain. We held an initial

planning meeting with key management and finance staff to ascertain management's own view of potential audit risk and to gain an understanding of the Trust's activities. We also developed an in depth understanding of the accounting systems and controls so that we may ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

ISAs also state that "routine, non-complex transactions that are subject to systematic processing are less likely to give rise to significant risks because they have lower inherent risks". Our work in these areas will be proportionally less than in the significant risk areas.

In areas where we identify the potential for significant risk, we will extend our audit testing to include more detailed substantive work.

Significant risks

As part of our audit procedures, we are required to consider significant risks that require our attention including:

- Whether there is a fraud risk.
- The complexity of transactions.
- Significance of transactions with related parties.
- Degree of subjectivity in the measurement of financial information; and
- Transactions outside the normal course of the Trust's business.

The identified significant audit risks were communicated to you in our audit planning letter issued before our main fieldwork began. We now note the work performed and conclusions drawn on the following pages:

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Significant risk audit areas

Significant Risk	Explanation of the risk	Audit work performed	Conclusion
<p>1. Revenue recognition</p>	<p>There is an assumption that revenue recognition is a fraud risk.</p> <p>Income from grants should be recognised when the conditions of recognition have been satisfied.</p> <p>Income from contracts should be recognised in the period to which entitlement exists.</p> <p>Classification of income between restricted and unrestricted funds potentially relies on managements decisions.</p>	<p>We documented systems and controls carrying out our audit procedures to ensure income is recorded correctly in the period.</p> <p>We discussed with Trust finance staff whether any cases of fraud had occurred during the period. We also reviewed governors' minutes of meetings. We have not been made aware of any fraud during the period.</p> <p>Our testing included verifying income to funding agreements, and supporting documentation to ensure income is recognised in the correct period.</p> <p>Consideration of whether income had been correctly classified between restricted and unrestricted funds by reviewing and terms and/or conditions was undertaken.</p>	<p>Our audit work has not identified any material errors relating to income recognition, whether relating to fraud or error.</p>
<p>2. Management override</p>	<p>The trustees and management have the primary responsibility for detection of fraud as part of their role in preventing fraudulent activity. They should ensure a robust system of internal controls exist to facilitate prevention.</p> <p>Auditing Standards presume a significant risk of management override of the system of internal controls.</p> <p>Our audit work is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error.</p>	<p>During our audit we considered the possibility of manipulation of financial results, for example the use of journals or management estimates, such as provisions and accruals. These have been reviewed as part of our substantive audit work.</p>	<p>Our audit procedures have not identified any instances of management override.</p>

Significant Risk	Explanation of the risk	Audit work performed	Conclusion
	Our audit may serve to act as a deterrent, but we are not responsible for preventing fraud or corruption.		
3.	Regularity of income and expenditure We are required to obtain limited assurance about expenditure being disbursed and income being received in the period. We aim to ensure the financial transactions conform with the rules and have been applied for the intended purposes.	Our audit testing has checked for the appropriateness of transactions and adherence to the 'musts' in the ESFA AAD.	We have not identified any material regularity breaches.
4.	Related and connected parties We are required to consider whether disclosures in the financial statements concerning related party transactions are complete and comply with Companies Act 2006 and the AAD.	A Companies House search was completed for each of the trustees to identify possible related parties with which the trust may have transacted. We reviewed trustee and other senior management declarations to ensure there no potential related party transactions have not been disclosed. We have requested written management representations from you confirming the full disclosure of related party transactions.	Our audit work has provided assurance that the related party transactions disclosed in the financial statements are complete.

Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and the impact of uncorrected misstatements.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will be considered material if its omission would reasonably influence the decisions of those using the financial statements. The materiality level for the financial statements as a whole has been set at £97k for this year's audit.

Auditors examine financial statements on a test basis. The level of testing we will carry out is based on our assessment of the risk that an item in the financial statements may be materially misstated. As such, it is neither practical nor appropriate to give an indication of the value of an item we would consider to be material although, clearly, we do relatively more work in areas where the risk of misstatement is considered to be high.

We have assessed the materiality by considering the total income of the Trust, net of capital income together with other relevant indicators. A lower measure of materiality was set for those specific areas where the nature of the transactions requires this.

Individual errors or accumulated errors, found during the course of the audit that are in excess of materiality were discussed with you and adjustments were made to the financial statements. If the adjustments had not been made, our audit report would be modified. Any adjustments found during the audit that are below the relevant materiality level have been sent for consideration by the Trustees.

Objectivity and Independence

As agreed with you, the provision of non-audit services to you results in a potential threat to our independence. We can confirm that, as required by professional ethical standards, we have implemented appropriate safeguards to deal with this threat, in accordance with the guidance issued by our professional body.

We note that in addition to performing the statutory audit, we also provide the following non-audit services:

- a) Preparation of statutory financial statements from the Trusts trial balance;
- b) Audit and certification of the Teachers' Pension return (EOYC);
- c) Provision of general advice as required;
- d) Preparation of corporation tax computation and CT600 return / P11D (if required);
- e) Preparation of Academies Accounts Return.

The following safeguards are in place in respect of providing of the above non-audit services to ensure our independence:

- a) Preparation of statutory financial statements from the Trusts trial balance is carried out by a dedicated accounts production team separate from audit and is a mechanical function presenting the Trust's results for the period in the required format. Any adjustments to the figures will be made following discussion and approval by the Trust. The process of preparation of the financial statements is reviewed by an independent manager prior to completion;
- b) The completion of EOYC audit does not affect our statutory audit work;
- c) General advice and assistance with accounting queries during the period is not considered significant for this Trust;
- d) The completion of the taxation computation and other corporation tax compliance is carried out by a separate tax department;
- e) Academies Accounts Return are prepared from the data in the financial statements and as such are covered by safeguards above.

Amendments to financial statements

It is considered good practice to inform you of any adjustments (including material adjustments) within the financial statements presented for audit that have been discovered during the audit process as well as other relevant adjustments notified to us by you. Set out below is a list of audit adjustments for which you have authorised adjustment to the financial statements, and the impact of those adjustments.

	Effect on Fund Reserves (£'000)
Funds per ledger	34,519
Fixed asset additions were "capitalised" in the financial statements, i.e. reported as fixed assets in the balance sheet rather than as expenditure within the Statement of Financial Activities.	129
Reserves available for spending are unaffected by this adjustment but the value of the fixed asset fund is increased	
Depreciation of fixed assets has been charged to the fixed asset fund	(986)
Reduce CIF expenditure accrual	6
Reallocation of loan repayments	126
Removal of rates accrued income	(31)
Adjustment to trip balances prepaid & deferred	(49)
To correct MV accumulated dep'n	(4)
Funds per Accounts	33,710

In addition to the above, some presentation adjustments have been included in the financial statements although these have had no impact on the total of fund balances:

- 1) Allocation of income and expenditure to relevant funds

- 2) Transfers between funds have been included in the financial statements, where required (e.g. to reflect the source of funding for fixed asset additions).
- 3) Payments made after the year end had been processed as if made in 2023/24. These have instead been treated as liabilities at 31 August 2024. The reported bank balance increased by a corresponding amount (£345k).

Other than the listed adjustments, we have not identified any misstatements or omissions (unless clearly trivial) from the financial statements, which have not been adjusted by you.

Expected modifications to the auditor's report

We have substantially completed our work and intend to issue an unmodified audit opinion, subject to the trustees' approving the financial statements and any minor outstanding items being received and/or completed.

Regularity opinion

Auditors are also required to provide a second "regularity report" in their role as Independent Reporting Accountants.

We do not expect to modify our opinion as no significant issues have been identified which would be required to be included in the regularity opinion.

Where areas of irregularity have been identified but are not material by virtue of the value or nature of the issue, they are included in the summary tables in this report.

The Trustees' responses to the raised issues have been included where these have been received prior to the finalisation of this report.

Recommendations made in prior year relating to the audit of the financial statements and the regularity audit have been included together with any changes on the issues raised.

Audit issues identified in the year

Regularity issues

We found no issues during the course of the audit that could have an impact on the regularity opinion.

Recommendations for the current year

Accounting system and internal control

We found no issues during the course of the audit.

Status of previous year recommendations

The Academies Accounts Direction requires auditors to report on the status of previous year recommendations:

Description and impact reported in prior year	Recommendation	Status in current year	Trust Response
<p>One Trustee was not recorded on Companies House.</p> <p>Potential impact: non-compliance with the ATH and data held on the Trust is not up to date.</p> <p>Lettings rates were invoiced as stated within the agreement. The agreement was not physically signed. However, these rates do not agree with those quoted in the lettings policy.</p> <p>Potential impact: Preferential rates authorised should be identified to support the non-standard rates being used to avoid potential errors.</p>	<p>That all Trustees are recorded on Companies House (in accordance with section 2.46 of the ATH).</p> <p>That amounts agreed and invoiced for lettings are in accordance with the standard rates set and approved by Trustees within the lettings policy or a formal note is made of any reduction and approval.</p>	<p>Matter cleared.</p> <p>Matter cleared.</p>	<p>N/A</p> <p>N/A</p>

Other matters to be communicated with those charged with Governance

Significant difficulties encountered during the audit

We did not encounter any significant difficulties during the audit.

Significant matters, if any arising from the audit

There are no further significant matters that we need to bring to your attention.

Going Concern

The Trustees need to give consideration to the level of reserves maintained and consider going concern for a period being at least 12 months from the approval of the accounts.

Other action points – Reminders and Submissions

- 1) A written reply should be prepared in response to this report. Please return it to us keeping a signed copy for your own records and for submission to ESFA (see point 3 below).
- 2) On return to us of the signed statutory accounts and the signed letter of representation which must be on the trusts headed paper, we will certify the audit report(s) and send you the certified accounts for submission to the ESFA (the filing deadline is 31 December 2024). You must also publish the accounts in full on your website by 31 January 2025.
- 3) The accounts and other documentation must be submitted electronically to the ESFA. Auditors have not been given access to the online filing so the submission must be made directly by the Academy Trust.

The Trust will therefore need to submit by 31 December 2024:

- a) An “accounts cover sheet”, summarising key facts about the accounts.
 - b) The accounts for the year, signed by the Trust and certified by the auditors.
 - c) The audit findings management letter (i.e. this report) including Trust’s response to any matters identified.
 - d) The annual internal scrutiny report / summary.
- 4) An accounts return must be completed, signed and submitted to the ESFA prior to 28 January 2025. We will correspond with you separately on this, if we have not already done so.

Emerging Issues

Electric vehicles and salary sacrifice

The ESFA have reversed their decision on electric vehicles from 1 September 2024. These do now require approval in advance of entering any such schemes from the ESFA. Any existing schemes can continue without retrospective ESFA approval.

Offering an electric vehicle salary sacrifice scheme to staff will not only provide a benefit to staff but will be better for the environment so may still be of interest to many trusts.

If you would like more information on salary sacrifice schemes, please let us know.

Related party transactions

These transactions continue to be an area where trusts often struggle to identify what constitutes a related party transaction. From 1 September 2023 the thresholds increased to £40,000 per transaction for related party transactions to require ESFA approval. Related party transactions with schools/colleges/universities that are the trust sponsor no longer require ESFA approval (even when over £40K). These transactions still need to be declared using the online form. Academy trusts do not need to report income transactions with related parties to the ESFA BUT all related party transactions must be declared in the financial statements (regardless of value).

All reportable related party transactions should be declared in advance of the contract or service occurring.

Closure of the ESFA

The ESFA will transfer its functions into the core Department for Education on 31 March 2025. Schools financial support and oversight functions will transfer from October 1 and be brought together with the regions group, nine areas overseen by regional directors.

The government's objective is that this will give educational establishments a single point of contact for financial management and support. In addition, some efficiencies are expected to result from this move.



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02 December 2024

Dear Sirs

Thank you for your Management Letter for the year 2023-24.

We note the contents and your helpful advice on the filing of the accounts. We were delighted to note there were no issues raised in your management letter. We are pleased to acknowledge the hard work put in by the school's finance team this year and your diligent work in auditing the accounts.

Yours sincerely

Gary Haigh
Chair of Governors

Dame Alice Owen's School