



Management letter

Prepared for the board of trustees of Urmston Grammar

For the year ended 31 August 2022

Haines Watts

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1. Introduction

We are pleased to set out in this document our report to the trustees of Urmston Grammar for the year ended 31 August 2022.

Our responsibilities as auditors are set out in the International Standards on Auditing (UK and Ireland) ("ISAs"). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We have carried out our audit in accordance with the terms of our engagement letter dated 7 August 2014 in order to express an audit opinion for UK statutory purposes on the financial statements of Urmston Grammar Academy Trust for the year ended 31 August 2022. We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our audit plan letter dated 27 September 2022, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

In this report, we present the key findings from our audit, together with a commentary on the significant matters arising. The matters that have been reported are limited to those deficiencies identified during the audit which we have concluded are of sufficient importance to bring to the attention of those charged with governance. This report has been discussed comprehensively and agreed with R Wall (CEO) & J Daley (CFO).

This report has been prepared for the sole use of the trustees of Urmston Grammar. We understand that you are required to provide a copy of this report to the Education & Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Haines Watts towards any party acting or refraining from action as a result of this report.

We would like to express our thanks to all members of the academy trust's staff who assisted us in carrying out our work.

2. Statutory audit communication

2.1 Objectivity and independence

We conducted our audit in accordance with the Code of Ethics of the Institute of Chartered Accountants in England & Wales and the Ethical Standards published by the United Kingdom Auditing Practices Board. We have considered our independence and objectivity in respect to the audit for the year ended 31 August 2022.

In addition to auditing the financial statements we also provided, through other individuals, the following services to Urmston Grammar for the year ended 31 August 2022:

- Payroll services
- Assistance with preparation of the budget forecast return
- Preparation of the End of Year Certificate
- Audit of the Annual Accounts Return
- Preparation of Annual Accounts Return for year ended 31 August 2022
- Specialist VAT advice and training
- Preparation of form P11D's 2021/22

We have outlined below the safeguards that we have put in place to ensure that these services provided in 2021/22 do not cause any breaches in our independence and objectivity in relation to the audit.

Non audit service provided

Preparation of the statutory financial statements

Preparation of the Annual Accounts Return

Audit of the EOYC return

BFR support

Payroll services

Specialist VAT advice

Assistance with P11D's

Safeguards put in place to reduce the threat to our integrity, independence and objectivity

Internally the accounts are reviewed by a separate individual from those who have prepared the financial statements. The accounts are reviewed in full by those charged by governance of the academy trust to ensure they comply with ESFA guidance. Any accounting judgements required are made by the audit client.

The return is prepared from data in the statutory financial statements and as such is covered by those safeguards above.

This service is provided by a separate individual from those who have audited the financial statements.

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Haines Watts charged £1,095 for completion of the Annual Accounts Return and £4,700 for other services.

Haines Watts charged £6,300 for the audit of the academy trust.

To maintain our independence as auditors we can also confirm that:

- Haines Watts, its partners and the audit team have no family, financial, employment, investment or business relationship with the company; and
- audit and non-audit fees paid by the company do not represent a significant proportion of total fee income for either the firm or office.

We confirm that, in our professional judgement, the firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Legal and regulatory requirements

In undertaking our audit work we considered compliance with the following legal and regulatory requirements, where relevant:

- Companies Act 2006.
- Charities Act 2011.
- Academies Act 2010.
- Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.
- Academies Accounts Direction 2021 to 2022.
- Academy Trust Handbook 2021.
- Statement of Recommended Practice, Accounting and Reporting by Charities (FRS 102).
- Applicable accounting standards.

2.2 Audit approach and materiality

Our audit planning has taken account of the issues highlighted through discussions with Joanne Daley together with our knowledge and understanding of the academy trust.

We confirm that there were no restrictions on the scope of our audit procedures and we have been able to undertake our work as set out in our planning meeting.

In our planning we have taken account of the results of our risk assessments made in accordance with the guidance set by the ISAs. Our consideration of high risk areas is documented in full within section 3 of this report.

Based on this rigorous process we have used our professional judgement and formed a materiality level. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements and the value at which if errors, on their own or in aggregate, were uncorrected would result in a potential qualified audit opinion. The audit materiality of the financial statements as a whole has been set at approximately 2% of total incoming resources.

We have considered this level of materiality based on the draft accounts for the year ended 31 August 2022 and are satisfied that it continues to be appropriate.

Underpinning materiality is a level of triviality, £5,000, at which any error or omission in excess of this value is recorded and reported to management.

In planning and carrying out our work, we applied a materiality level to Urmston Grammar School of £131,000 based on 2% of income.

2.3 Accounting policies

In preparing the financial statements of the academy trust, directors/trustees are required under FRS 102 to review the academy trust's accounting policies on an annual basis to ensure they remain appropriate to the academy trust's circumstances and are properly applied.

We have reviewed the accounting policies selected and operated by the academy trust, and are satisfied that they are acceptable.

2.4 Significant findings

There are no significant matters that we feel need bringing to the attention of the trustees.

2.5 Accounting estimates and judgements

The property is recorded in the accounts at valuation. The basis of the valuation is existing use value calculated on a depreciated replacement cost basis.

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used were as follows:

Land & Buildings	50 years straight line
Computer Equipment	3 years straight line
Fixtures, fittings & equipment	5 years straight line

2.6 Funding position at 31 August 2022

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objects of the academy trust and are restricted to both the day to day running of the academy trust and capital expenditure. The balance carried forward on this fund is a surplus of £224,000, being £309,000 general funds less the pension deficit of £85,000.

Restricted fixed asset funds are those funds relating to the long term assets of the academy trust used in delivering the objectives of the academy trust. The balance carried forward on this fund is £17,236,000. Additional analysis of this fund by nature has been provided to comply with the Academies Accounts Direction.

Unrestricted funds are funds to which the governing body may use in the pursuance of the academy trust's objectives and are expendable at the discretion of the trustees. The balance carried forward on this fund is £54,000.

2.7 Reconciliation of audited surplus/deficit

The surplus/(deficit) per the financial statements has been derived as follows:

	Balance sheet		SoFA	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Surplus/(deficit) per the draft trial balance				499
Capitalisation of fixed assets	66			66
Updates to depreciation to agree to fixed assets register		482	482	
Other creditors	2			2
FRS102 pension adjustment	2,882			2,882
Accrued income in relation to CIF funding	47			47
Total	2,997	482	482	2,997
Impact on reserves				2,515
Surplus/(deficit) per financial statements				3,014

There are no uncorrected material errors or omissions in isolation or aggregate.

2.8 Significant difficulties encountered during the audit

We did not encounter any significant difficulties during the audit.

2.9 Accounting and financial control systems

During our audit we examined the design and implementation of the internal controls relevant to the accounting systems and procedures.

The review of internal controls was carried out with a view to expressing an opinion on the financial statements for the year and was not directed primarily towards discovering weaknesses or towards the detection of fraud. Therefore our comments on these systems include only those matters that have come to our attention as a result of our normal audit procedures, and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made. Please refer to section 4 of this report.

2.10 Management representations

We include a copy of the draft management representation letter. There are certain specific representations which we are required by auditing standards to obtain from management as part of our audit procedures. In addition, we are required to obtain other representations on matters material to the financial statements where other sufficient appropriate audit evidence cannot be reasonably expected to exist.

2.11 Audit opinion

Based upon the findings and conclusions of our work, we expect to issue an unqualified audit opinion on the financial statements.

3. High risk audit areas

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Fund Accounting</p> <p>The accounts include a number of restricted and unrestricted funds and the audit risk is that income and expenditure is not correctly allocated to the correct fund.</p> <p>Funding providers will impose restrictions on the use of funds given to the academy trust. Such funds should be allocated to the statement of financial activities in accordance with guidance by individual funders.</p>	<p>Incorrect disclosure of restricted and unrestricted reserves in the financial statements.</p>	<p>We reviewed the nature and purpose of each fund in line with supporting documentation and tested a sample of transactions to ensure that they are allocated to the correct fund.</p> <p>Reviewed income and expenditure headings on a line by line basis to ensure compliance with the Academies Accounts Direction.</p>	<p>There are no uncorrected material misstatements in respect of the allocation between restricted and unrestricted funds in the financial statements. No issues were found during our income and expenditure testing.</p>
<p>Completeness of payroll costs</p>	<p>The payroll function is outsourced. Our knowledge of the academies market has shown some error risk posed over outsourced payrolls.</p>	<p>We performed analytical procedures to ascertain whether the salary costs for the year were in line with our expectations. We carried out a reconciliation between the staff costs in the financial statements and the payroll summaries. In addition, tests of control to ensure key controls are being adhered to.</p>	<p>Payroll costs in the financial statements are not materially misstated.</p>

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>FRS 102 Accounting for Pensions</p> <p>Treatment of the academy trust's share of pension scheme deficits</p>	<p>Incorrect treatment of the pension valuation.</p> <p>Financial statements are not prepared in accordance with sector accounting guidance.</p>	<p>We obtained the FRS 102 pension valuation as at 31 August 2022 and assessed the disclosures and accounting entries made by the academy trust.</p> <p>We confirmed that the basis of valuation was appropriate and that the disclosures made in the financial statements were prepared in accordance with FRS 102 and the sector standard as set out in Academies Accounts Direction.</p>	<p>The pension valuation disclosures in the financial statements are in line with the requirements of the Academies Accounts Direction and consistent with the valuation report received from an actuary.</p>
<p>Revenue recognition in respect of ensuring that all income received by the academy trust is recognised in the correct period. The cut off on income needs to be established correctly to ensure that the academy trust's income is not over or understated.</p> <p>Completeness of income is to be established to ensure all income receivable in the year has been recognised appropriately.</p>	<p>Grant/other income not being recognised in accordance with the Charity SORP (FRS 102) recognition criteria and per the underlying funding agreement.</p>	<p>The accounting policies adopted by the academy were reviewed, considering the guidance available in Charity SORP (FRS 102) and the recognition criteria of entitlement, certainty and measurement.</p> <p>A review of grant funding agreements was performed to determine whether the grant income had been recognised in the appropriate period.</p> <p>Discussions were held with management and meeting minutes reviewed to identify any unexpected one-off sources of income and to ensure that the accounting treatment is appropriate.</p>	<p>All income appears to have been appropriately recognised by the academy trust. The revenue recognition policy appears appropriate and in line with the Academies Accounts Direction.</p>

Issue	Audit risk	Audit procedures undertaken	Conclusion
Going concern	<p>It is the responsibility of the Trustees to assess the ability of the academy to continue as a going concern for a period of not less than 12 months following the anticipated date of sign off.</p> <p>This is a key risk given the current economic climate and pressures on government spending.</p>	<p>We have reviewed the considerations of management including cash flow forecasts and budget reports in relation to the going concern assumptions made.</p> <p>We have confirmed grant funding to supporting statements.</p>	We concur with the trustees' decision that going concern is an appropriate basis on which to prepare the financial statements
Management override of internal controls	Potential risk of management override of internal controls (this being a presumed risk inherent within current auditing standards).	<p>A suitable level of professional scepticism was applied throughout all areas of audit testing.</p> <p>We reviewed manual journals and accounting estimates such as accruals and provisions and consider any pressures on management to achieve results.</p>	No evidence of management override was found during our audit procedures
Payments made to related parties	That payments made to related parties are not in line with current guidance and the latest Academy Trust Handbook by being made at cost.	All related party transactions that have been identified have been reviewed to ensure that the most recent guidance has been followed correctly and that relevant documentation has been seen to prove this. Signed statements of assurance have been obtained.	No related party transactions occurred during the year under audit and the notes to financial statements correctly state this.

Issue	Audit risk	Audit procedures undertaken	Conclusion
COVID-19	Increased risk of fraud as a result of the pandemic.	The impact of COVID-19 has been considered throughout the audit. Income and expenditure relating to COVID-19 has been tested.	Appropriate disclosures have been made in line with the Academies Accounts Direction.
Fixed asset valuation and impairment	<p>That assets inherited on conversion are incorrectly valued.</p> <p>Where CIF projects are on-going, that these costs are capitalised and recognised as assets under construction appropriately.</p> <p>Compliance with FRS102 in carrying out impairment reviews where impairment indicators arise, such as going concern.</p>	<p>We have performed calculations on asset values on conversion to verify the amounts stated in the financial statements.</p> <p>We have performed cut off testing on capital projects on-going around the year end.</p> <p>We have considered whether any impairment indicators have arisen in the year and assessed the need for an impairment review.</p> <p>We have physically verified assets brought forward in the financial statements. We have verified a sample of asset additions to supplier invoices.</p>	<p>There is no evidence of material misstatement in respect of fixed asset valuation and impairment.</p> <p>No issues were found during our audit work</p>

4. Report of significant weaknesses in systems and internal controls

4.1 Introduction

We set out below the significant matters we became aware of during our audit, which relate to the effectiveness of the company's accounting and financial control systems. We have used the following grading system to indicate the significance of the issues we have raised and the priority that we believe should be given to our recommendations.

Rating	Description
High	<p>Should be urgently attended to by the directors and management.</p> <p>These are significant issues that may result in a qualification in the audit report in future periods if not satisfactorily addressed.</p>
Moderate	<p>Issues requiring the attention of the directors and management.</p> <p>Issues ranked as moderate require close monitoring by the board and senior management to ensure timely resolution.</p>
Low	<p>Issues requiring management attention and correction.</p> <p>Issues ranked as low are generally routine in nature and should be resolved by general management.</p> <p>The board and senior management should be aware of these issues to enable monitoring of progress with their resolution. These issues may be reported to management in less detail than more highly rated issues.</p>

Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
1 There have been inconsistency noted between the details that are held on Companies House and the academy website.	This could be considered mis-representing information as the roles / duties of individuals are not clear.		The academy should ensure that the details held at Companies House, the academy website and Get Information About Schools is consistent.	Jo Daley	December 2022
2 There is no pecuniary interest declaration signed by Karl Mackey in the year.	This could lead to related party transactions taking place and not be reported to the ESFA in advance per the requirements of the Academy Trust Handbook.		It is recommended that relevant individuals complete and sign the pecuniary interest forms at the start of the academic year.	Clerk to Governors	December 2022
3 The academy does not maintain a fixed asset register (FAR).	As per Academy Trust Handbook 2021 section 2.7, the academy must maintain a FAR and therefore, the academy is not complying with the requirements of the handbook. This leads to the risk of asset being misappropriated.		It is recommended that the asset register is maintained by the academy, detailing all additions, disposals and depreciation in the year.	Jo Daley	December 2022

Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
4 Bank reconciliations showed slight variances to the trial balance at the year end.	Although the differences were deemed to be trivial, they could lead to incorrect financial information being reported to the trustees and potential misstatement in the financial statements.		It is recommended that bank reconciliations are reviewed and any variances to the trial balance investigated and corrected each month.	Jo Daley	December 2022
5 There was unspent bursary funding from 2021 that is being carried forward to 2023.	This can be considered to be a breach of the terms and conditions of the bursary funding. Any unspent bursary funding should be repaid to ESFA.		The academy should refund any unspent bursary funding to the ESFA.	Jo Daley	November 2022
6 It was noticed during the expenditure testing that a number of the purchase orders have been raised after the invoice date.	There is a risk of lack of budgetary control and overspending if the purchasing/procurement policy is not correctly followed.		It is recommended that those who are responsible for procuring goods / services are reminded with the policy and procedures as per the finance manual.	Jo Daley	December 2022
7 The Academy Trust Handbook states that the DfE has a strong preference that academy trusts have at least 5 members and that the majority are independent of the board of trustees. Urmston Grammar has 3 members, 1 of whom is also a trustee.	The ESFA could perceive there is a weakness in the governance of the academy.		The members should consider their composition and seek additional members who are not trustees	Chair of Governors	December 2022

5. Status of audit recommendations from previous year

During the course of the audit we revisited the audit recommendations from the previous year's audit management letter and set out below the status of these recommendations.

Observations in 2021

Purchase orders entered on the system after the invoice date.

No pecuniary interest declaration was seen for the new trustee (H Stedman).

The academy does not have an ongoing fixed asset register.

Companies House was not updated to remove E May as a trustee.

3 quotes were not obtained for several items above £15,000.

The Academies Financial Handbook states that the Department for Education has a strong preference that academy trusts have at least 5 members and that the majority are independent of the board of trustees. Urmston Grammar has 3 members of which 1 was also a trustees.

Update in 2022

This has improved in the year, however cases have been identified in 2022 where purchase orders were raised after the invoice date. Recommendation raised in section 4.

Missing pecuniary interest was identified for one of the trustees in the year – see section 4.

Issue identified in 2022 – recommendation raised in section 4.

Inconsistencies between Companies House and the academy website were noted – recommendation raised in section 4.

No issues identified in 2022.

This remains the same in the current year. Recommendation raised in section 4.

6. Regularity

There were no regularity, propriety and compliance matters that we became aware of during our audit, which relate to the responsibility to ensure that public money is spent for the purpose intended by Parliament (regularity) and a responsibility to ensure that appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under the academy's control (propriety).

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Audit Findings

2nd December 2022

Dear Sirs,

I am pleased to report that Urmston Grammar has discussed the audit report and the audit findings with the trustees of the academy.

The following points were made by our Auditors HW;

There have been inconsistency noted between details that are held on Companies house and the academy website.

This has now been rectified and both should now read the same.

There is no pecuniary interest declaration signed by Karl Mackey in the year.

The trustee has been reminded of the importance of signing the pecuniary interest.

The academy does not maintain a fixed asset register (FAR)

Although the academy has its own Fixed asset register through the Parago system this didn't relate to the spreadsheet that the auditors were using. The spreadsheet has been shared from the auditors so it can now be kept up to date and costs and depreciation can be seen.

Bank reconciliations showed slight variances to the trial balance at the year end.

This was highlighted by us to HW during the last audit (20/21) as it only occurred when year end figures were adjusted in their audit (19/20). However, we have no idea how the difference has occurred. HW asked us to monitor the balance each month to make sure there were no further movements. This was done and no further movements were noted. HW has not offered any help to rectify this and has asked that a manual check through Sage is completed to clear the differences in-house.

There was an unspent bursary funding from 2021 that is being carried forward to 2023.

This carry forward is being used on a rather rapidly increasing 16-19 uptake. Numbers have increased from 24 students in academic year 2021/22 to 40 students this academic year.

Urmston Grammar School - Headteacher: Mrs R S Wall
pride, participation, empathy

Urmston Grammar School

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It was noted during the expenditure testing that a number of the purchase orders have been raised after the invoice date.

It has been advised that wording in our Finance Manual is changed to reflect that some of the invoices listed in the findings will be posted after receipt of an invoice due to the nature of the invoice. Of the 8 invoices listed 5 were related to this – gas, electricity, CIF bid invoices, refuge and Service level agreements with add on purchases. Of the other 3 invoices, one had been put on as an order but when payment was to be made the system didn't recognise it. The order had to then be cancelled and put back on the system. A note to explain had been written on the order. One was for an order verbally agreed but was too late to put on the system the same day so was put on the next day. The final invoice was for a quotation that should have been put on prior to receipt of the invoice.

The Academy Trust Handbook states that the DfE has a strong preference that academy trusts have at least 5 members and that the majority are independent of the board of trustees. Urmston Grammar has 3 members of whom 1 is also a trustee.

It was agreed with the board of Trustees that as our Articles of Association currently only state 3 members we would remain with this until the new format that all academies were to follow was released. The Trustees thought that it was unreasonable to change things before official changes were agreed.

Yours faithfully

Riffat Wall

Academy Trust Accounting Officer

Urmston Grammar School - Headteacher: Mrs R S Wall
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