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St Catherine of Siena Multi Academy Company

Audit Findings Report

Period ended 31 August 2020

Issued November 2020

Reporting to you.

We have pleasure in submitting our report to The Board of St Catherine of Siena Multi Academy Company ("SCOS"), to set out the findings from our audit of the statutory financial statements of the Trust for the period ended 31 August 2020. Auditing Standards require us to communicate with "those charged with governance" various matters from our audit including:

- our views about significant qualitative aspects of the Trust's accounting practices, including accounting policies, accounting estimates and financial statement disclosures,
- significant difficulties, if any, encountered during the audit,
- any significant matters arising during the audit and written representations we are requesting,
- circumstances that affect the form and content of our Auditor's Report, if any, and
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.

This report, therefore, provides a record of the points we believe should be brought to your attention before you approve the statutory financial statements. The matters included have been discussed with management during our audit and we have incorporated their comments and/or proposed actions where relevant.

We welcome the opportunity to discuss this report with you and receive your feedback.

We would like to express our appreciation for the assistance provided to us by your team during our audit for their kind and professional help throughout.

Dave Darlaston

Senior Statutory Auditor

Crowe U.K. LLP

Please note that this report is prepared solely for the Members and Officers of SCOS for you to consider in line with your governance structure. We accept no duty, responsibility or liability to any other parties since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

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Structure of this report.

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For reference

- **Appendix 1 – A reminder of scope and some key responsibilities**

Entities covered in this report

This report sets out our key findings from the audit of SCOS, which incorporates the following schools:

- Our Lady St Huberts
- St Francis Xavier
- St Phillips
- St Gregorys

Audit status.

At the time of writing, our audit work is substantially complete and, subject to satisfactory clearance of the outstanding items below, we expect to sign an **unqualified** and **unmodified audit opinion** on the financial statements.

	Open item	Opinion risk*
1	Finalisation of post-fieldwork review	Low
2	Receive signed letter of representation (to be provided at the time of financial statements approval/signing.)	Low
3	Final review of the financial statements.	Low

COVID19 – limitations on our work

To complete our audit this year we have had to work with your management team to adapt, reschedule and move on-line some of our audit processes to meet the Covid-19 related distancing restrictions. These changes have limited some of our direct access to your premises, staff and on-site records.

We have therefore had to assess the overall impact of this on our audit and, in particular, whether we have been able to obtain sufficient audit evidence on which to base our audit opinion.

We are pleased to report that we have been able to complete our work as planned and have no limitation issues to report.

* The likelihood that this item could affect our expected audit opinion - Low/Med/High

Changes to our audit plan?
No circumstances or matters arose which required us to modify our planned approach as set out to you in our Audit Planning Report.

Restrictions on our work?
There were no restrictions or limitations placed upon us. We were able to complete our audit work as planned.

Ethical considerations?
We remain satisfied that there are no matters which compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff.

Audit opinion?
Subject to the satisfactory clearance of the open items above, we have obtained sufficient audit evidence to enable us to provide our audit opinion

What matters most.

We have summarised the following findings from our audit work as being most critical to the financial statements. Further detail is included throughout this report.

	Critical matter
1	**Going concern conclusion and Covid19 impact** In light of the recent pandemic with COVID-19, we have reviewed key documentation that supports the key assumptions in the Groups going concern assessment and that budgets are sensible taking account of the pandemic. We concur that there isn't a material uncertainty relating to going concern, however, the impending creation of Emmaus Catholic Multi Academy Company means that SCOS is no longer a going concern. The notes to the accounts adequately explain this and our audit report has been modified accordingly.
2	**Narrative report** There have been several updates to narrative reporting this year, notably S172, Streamlined Energy and Carbon Reporting and COVID-19. From our review, disclosures comply with the relevant standards. We do note that you have voluntarily included disclosures re S172 despite not being large company.
3	**Completeness of Income** Completeness of grants and other income including the consideration of any clawback of grants. With the exception of the Hadley Grant (item 9) noted on the following page, our testing of income has identified no further issues with regards to completeness of income.
4	**Management Override of Controls** Auditing standards require us to consider this as a significant audit risk area. We have reviewed significant account estimates and judgments, controls around journals, detailed review of journals made in the year and review of significant transactions outside the normal course of business. We are pleased to confirmed there were no issues raised as a result of this work.
5	**Regularity opinion** The Academies Accounts Direction states that as external auditors we must also produce a report providing a conclusion on regularity. We are not aware that the Accounting officer will modify his report and we haven't identified anything from our work so expect to issue an unqualified Regularity Opinion.

Has there been satisfactory clearance of audit work in respect of:

Matters relating to fraud?	✓
The validity of assumptions made in adopting the going concern basis of preparation?	✓
Matters relating to related parties?	✓
Matters relating to compliance with relevant laws and regulations?	✓
Material disclosures within the financial statements?	✓
Trustees' Report narrative?	✓
Choice and application of material accounting policies?	✓
Significant estimates and judgements employed in the preparation of the financial statements?	✓
Compliance with regularity and compliance reporting?	✓

What matters most.

We have summarised the following findings from our audit work as being most critical to the financial statements. Further detail is included throughout this report.

	Critical matter
6	**Payment Procurement Notice** During the year where services were not received, notably for catering, suppliers were not paid or a lower rate was negotiated for reduced service. Where required the element of supplier staff salaries not covered by furlough grants were covered by SCOS. We are pleased to confirm we have identified no issues in this regard.
7	**Emmaus Catholic Multi Academy Company** From 1 February 2021, St Catherine of Siena and St Nicholas Owen Catholic Multi Academies will join together to form the larger company Emmaus Catholic Multi Academy Company, both companies have adopted the same Board Committee structures. The notes to the accounts adequately inform the reader of this impending change.
8	**Exceptional Government support grants** The Academy Trust has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak. No funding was received for coronavirus exceptional cost support as all schools are in surplus. However, funding of £35,276 was received for coronavirus job retention scheme covers relating to staff employed in respect of extended hours support.
9	**Hadley Grant** The anticipated £36k of Hadley grant income was not received, this income has not been included in the accounts as the Trust have had no correspondence with Hadley and deem it unlikely this income to be received. However part of this expected income related to a pre-existing agreement against which learning mentor costs have been incurred during the year therefore part of this income should have been included in the accounts.

What matters most.

We have summarised the following findings from our audit work as being most critical to the financial statements. Further detail is included throughout this report.

	Critical matter
10	**Credit card statements** It was not possible to review all of the credit card statements for the year as copies of the statements had not been retained by the schools. Furthermore it was not possible to verify the majority of the credit card expenditure sample selected to receipt and claim form. We did not note any instances of irregular spending during our audit however due to a lack of supporting documentation we have not been able to verify all transactions. Based on the average spend we have seen on these the total spend on credit cards in the year is less than £10,000.

Misstatements and adjustments.

Summary of adjustments	Profit/(Loss) £	Assets £	Liabilities £	Reserves £
Draft financial statements	107,689	13,602,974	(918,131)	(12,577,154)
Total adjusted misstatements	(359,944)	(476,599)	(5,107,308)	5,253,003
Final financial statements	**(252,255)**	**13,097,335**	**(6,025,439)**	**(7,324,151)**

We are happy to confirm that there are no unadjusted misstatements within the scope of this report.

Systems and controls items relevant to the audit	Significant deficiencies*	Other systems points
Number of current year items	0	11
Number of open items from prior year audit findings	0	4
Number of cleared items from prior year audit findings	0	5

* A risk that this systems and controls deficiency could create a material misstatement.

Materiality

We do not seek to certify that the financial statements are 100% correct; rather we use the concept of “materiality” to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment.

The assessment of materiality is a matter of professional judgement but, overall, a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

We have reviewed our planned level of materiality and are satisfied it remains appropriate.

As set out in our Planning Report, we do not report errors to you where we consider the amounts to be trivial and for this purpose we determine the planned trivial level of £4,500 to remain appropriate.

Qualitative elements of the financial statements.

?

Here we comment on the **qualitative elements** of your financial statements, such as narrative reporting, the application of accounting policies and disclosure notes, including those relevant to significant estimation techniques and judgments made.

Narrative reporting:
We have reviewed the Trustees' Report, Governance Statement, Statement of Regularity, Propriety and Compliance and The Statement of Trustees' Responsibilities of SCOS to consider whether they are consistent with the financial statements and prepared in accordance with the relevant legal framework. We have also reviewed the financial statement disclosure notes.

- We have no issues to report – the reports and financial statement disclosures appear consistent with the financial statements and the information presented to us throughout our audit work. We do note that you have included S172 disclosures in your Trustees Report to be transparent and add further value to the stakeholders despite this not being a statutory requirement as the Trust doesn't exceed the criteria for a large company.

Areas of significant estimate and judgment

We have considered those areas where management has used significant estimates and judgments in the preparation of the financial statements. Our key findings are summarised below.

The present value of the Local Government Pension Scheme defined benefit liability This is dependant on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate.	The wording included in the financial statements is reasonable and well balanced.

Selection and application of accounting policies

Accounting policies are relevant to the entity?	✓
Accounting policies are consistently applied?	✓
Accounting policies are clearly disclosed – neither excessive nor insufficient to provide necessary understanding by the reader?	✓
Where company law or the financial reporting framework permits management to make a policy choice, it is clear which option has been taken?	✓

Going concern - conclusions.

After reviewing your assessment of going concern, we concur that **the going concern basis of preparation is not appropriate and disclosures relating to going concern are adequate.**

Key elements of our work included:	Outcome	Clear?
Discussions with The Board and management	Satisfactory – no significant items to note	✓
Confirmation of the transfer to Emmaus Catholic Multi Academy Company on 1 February 2021	Satisfactory – no significant items to note	✓
Review of your budgets/forecasts for 2020/21, including whether relevant Covid-19 implications have been considered	Satisfactory – no significant items to note	✓
Comparison of the previous years budget to actual outturn to assess for reasonableness, key movements have been discussed with management	Satisfactory – no significant items to note	✓
Consideration of your assessment of industry risks, including funding levels, pupil numbers, exam results and availability of personnel	Satisfactory – no significant items to note	✓
Assessment of your key assumptions, judgments and estimates	Satisfactory – no significant items to note	✓
Review of disclosures relating to going concern	Satisfactory – no significant items to note	✓

Your assessment of going concern

We explained in our Planning Report that in preparing the financial statements to comply with Financial Reporting Standard 102 the Board and management are required to make an assessment of the SCOS's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, the Board and management are required to consider all available information about the future of the organisation in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

Your going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

Your going concern assessment has concluded that **a material uncertainty exists in respect of going concern due to the transfer to Emmaus Catholic MAC and this is sufficiently disclosed. We agree with this assessment.**

Crowe

Response to audit risks.

Audit findings - Significant audit risks.

In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Management override of controls

In any organization, management are best placed to circumvent systems of internal control.

International Standards on Auditing (ISA 240) presumes this area to be a significant audit risk.

Key elements of our work included:

- We have reviewed the system for the generation, authorisation and posting of journal entries. We have performed a review of material journals posted for evidence of journals that may be considered unusual and/or which fell outside of our expectations for the size and nature of the entity.
- We have considered audit adjustments identified from our audit work for evidence of bias in reporting.
- We have considered significant estimates and judgements employed by management for evidence of bias. We also consider whether there is evidence of any significant transactions arising outside of the normal course of business.

Crowe comments

- We did not identify any instances of management override of controls or other issues from our sample testing of the trust journals.
- However, due to lack of resource there is insufficient review of the trust's nominal ledger accounts. There are numerous miscoding and erroneous journals posted. Management accounts are also not closely monitored to ensure that they reflect the true position of the trust. Despite the weakness in control of this area we haven't found any evidence of material unadjusted errors through our testing of the 2020 accounts.
- Management have made a number of necessary accounting estimates and judgements which impact the financial statements. We identified the assumptions adopted by management and used by the actuary to calculate the pension liability for specific audit review. We have reviewed these assumptions and we consider them to be reasonable when compared to the assumptions used by actuaries of similar academies.

Audit findings - Significant audit risks.

In this section we comment on our work, findings and your management response in respect of the areas which we identified as **significant audit risks** at the planning stage

Completeness of grant and other income recorded in the financial statements

International Standards on Auditing (ISA 240) presumes there is always a risk of material misstatement due to inaccurate revenue recognition. This audit risk is common to most organisations and is not specific to SCOS

Key elements of our work included:

- We have agreed the General Annual Grant through to the ESFA funding letter and receipts from the nominal into the bank;
- We have agreed a sample of other grant income from documentation to ensure correctly recorded and that any restrictions are adhered to;
- We have reviewed pupil census's to ensure that pupil numbers are in line with the funding numbers and that any clawback of GAG is accurate;
- We have agreed a sample of other income from supporting documents, ensuring that income is correctly accrued/deferred as applicable and that any restrictions are adhered to;
- We have compared income recorded to budgets and to schedule of income that we believe the trust is entitled to.

Crowe comments

- SCOS, correctly, did not claim the grants in relation to the government support scheme in order to cover exceptional costs incurred up to July 2020 as a result of COVID-19. Schools are eligible for reimbursement where the additional costs would result in a school having to use historic surpluses, increase the size of a historic deficit or prevent the planned repayment of a historic deficit. From our review we identified all schools made a surplus this year and thus were not eligible for this grant.
- The anticipated £36k of Hadley grant income was not received, this income has not been included in the accounts as the Trust have had no correspondence with Hadley and deem it unlikely this income to be received. However part of this income related to a pre-existing agreement against which learning mentor costs have been incurred during the year.
- Overall, the audit work was satisfactory and we have no other issues we wish to bring to your attention. We have concluded that grant and other income recorded in the financial statements accurately and completely reflects the income that the Trust was entitled to during the year.

Audit findings - Other audit risks.

In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Regularity and propriety reporting

The Academies Accounts Direction states that as external auditors we must also produce a report providing a conclusion on regularity.

In order to do this we will follow similar procedures to those applied in order to provide assurance over any other financial statement assertion. However the level of work required to support a limited assurance conclusion may be less than that required to support a reasonable assurance conclusion.

The analysis needed to inform the regularity opinion goes beyond that required to support statutory audit work, but may involve normal sources of audit evidence as the evidence base is the same. In many areas, dual testing of the same sample could provide evidence to support both engagements.

Key elements of our work included:

- We have reviewed delegated authorities. There has been consideration and review of any transactions requiring prior and written approval from the Secretary of State and disclosure in the financial statements.
- We have reviewed transactions with related parties. There has been consideration and review of related party transactions, ensuring they took place at no more than "cost"; review of counter party declarations.
- We have confirmed the governance structure of the trust and reviewed the budgeting procedures and considered instances of irregular activities.
- We have considered the internal controls in place. This has included a review of authorisation procedures; tendering procedures; legitimacy of expense claims; compliance with grant terms.
- We have also reviewed other aspects of regularity including a consideration of "value for money".

Crowe comments

- As noted on the previous page there were no ineligible claims made in the period relating to the government support scheme to cover exceptional costs incurred up to July 2020 as a result of COVID-19.
- During our audit it was not possible to review credit card statements for the year or agree all sampled credit card expenditure to supporting documentation. Although we have not noted any instances of irregular spending during the audit due to lack of evidence we cannot confirm that none occurred.
- We have no other matters to bring to your attention and haven't modified our Regularity Report in respect of the above.

Audit findings - Other audit risks.

In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Going concern

Under ISAs (UK) the revised audit report includes specific references to going concern. The trustees' assessment that the going basis is appropriate has increased emphasis and importance and this is therefore an area to which we are required to pay particular attention.

The assessment must be in respect of a period of at least one year from the date of approval of the financial statements.

Key elements of our work included:

- We have considered the review period performed by the trustees to assess the ability of the academy trust to continue as a going concern.
- We have examined budgets prepared by management covering the period of the going concern assessment to ensure these are appropriate
- We have reviewed any other documentation which the trustees use in assessing the going concern status and made any necessary enquiries of management
- An overview of the going concern work covered has been provided earlier in this report.

Crowe comments

- St Catherine of Siena Multi Academy Company, being transferred to Emmaus Catholic Multi Academy Company as of 1 February 2021, is no longer a going concern. As of this date, Emmaus Catholic Multi Academy Company will assume all operations, trade, assets and liabilities. From this date, the entity known as St Catherine of Siena Multi Academy Company will cease to operate.
- As a result of this relevant disclosure has been added to the accounts in the Trustees Report and the notes and our Audit Report on Going Concern has been modified accordingly.

Audit findings - Other audit risks.

In this section we comment on our work, findings and your management response in respect of the areas which we identified as **other audit risks** at the planning stage

Compliance with Covid expenditure guidance and additional grant claims, Procurement Policy Note (PPN 02/20) and the July 2020 supplementary bulletin

There are a number of unique considerations this year as a result of Covid-19.

Guidance has been released by the DfE throughout the pandemic to ensure that the trust acts in a manner that does not misappropriate public funds and maintains the value for money statement. Additional requirements to the AAD have been issued which the academy trust must comply with.

As a result of the Covid-19 pandemic, Academies are also entitled to additional forms of government support.

Key elements of our work included:

- We have considered all of the additional government support that academies are entitled to as a result of Covid-19. We have reviewed significant grants received to ensure there are no obvious breaches of the guidelines and that the treatment and disclosure within the financial statements is accurate.
- We have discussed with management significant payments that have been made under the PPN and considered whether they were made in line with the initial guidance and the supplementary bulletin, with an emphasis on value for money.

Crowe comments

- We have reviewed the claims made under the Coronavirus Job Retention Scheme (“CJRS”) and are satisfied that the claims made are legitimate and relate to staff that would have been at risk of redundancy had the CJRS support not been available.
- The trust did not apply for government funding to cover exceptional costs incurred up to July 2020 as a result of the virus as none of the schools qualified.
- Decisions appear to have been made in line with the spirit of the PPN and the supplementary bulletin. The Trust only covered supplier costs relating to services provided and elements of staff salaries not already covered by furlough grants.
- Overall the results of our audit work were satisfactory and we have no other specific matters to bring to your attention.

Crowe

Other matters arising.

Audit findings - Other matters arising.

In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Academies Accounts Direction ("AAD") 2019-20

There have been numerous changes in this year's version of the Accounts Direction that must be adhered to. We have summarised the key changes that will impact on the financial statements of all trusts across the sector.

Key changes this year include:

- Reflecting new statutory elements in the trustees' report, covering the success of the company, employee engagement and business relationships
- Identifying legal costs in the notes to the financial statements
- Introducing an analysis of changes in net debt as a note to the financial statements, to comply with the updated SORP
- Updating the Teachers' Pension Scheme notes to reflect the latest actuarial valuation

Further details can be found in our Further Sector Developments document which accompanies this report.

Local Government Pension Scheme (LGPS) deficit

The LGPS pension liability has been recognised in the financial statements following receipt of the latest actuarial valuation as at 31 August 2020. The value of the liability at the year-end is £5.536 million which represents a 37% increase compared to the previous year.

The performance of scheme assets during the year to 31 August 2020:

- There has been substantial volatility in equity markets around the world this year, in relation to the COVID-19 pandemic. The falls in equity markets and the subsequent recovery are reflected in the accounting figures as at 31 August 2020. The return on assets during the period was £408k (2019: £156k).

The price of corporate bond yields as at 31 August 2020:

- Over the same period the market volatility extended to corporate bonds, but ultimately the yields on AA-rated corporate bonds as at 31 August 2020 have settled at around 1.6% per annum which lower than the 1.85% at the start of the accounting year. As the discount rate for accounting purposes is based on corporate bond yields, this means this volatility has ultimately had a big impact on accounting liabilities and is the key reason for the increase.

Audit findings - Other matters arising.

In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Local Government Pension Scheme (LGPS) deficit continued

Valuation of scheme liabilities at 31 August 2020:

- The value of the liabilities has increased and outweighed the actual return on assets made during the period. A large part of this is due to a 're-calibration' of figures and assumptions following the 31 March 2019 valuation.
- We note that similar increases are being experienced by many other trusts in the local area and we have performed a comparison of the key assumptions to those used in similar trusts. We consider the assumptions to be reasonable.

LGPS recent cases

There have been some high-profile cases which impact local government pension schemes; The McCloud judgement and Guaranteed Minimum Pensions (GMP).

The McCloud judgement

- In December 2018 the Court of Appeal ruled against the government in the 'McCloud/Sergeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated. The government applied to the Supreme Court for permission to appeal this judgement and in June 2019 this permission was denied. We therefore recommended that you opted in for the inclusion of any potential impact in the 31 August 2020 valuation.
- The actuarial valuation has been calculated to include any potential impact of the McCloud judgement.

Guaranteed Minimum Pensions (GMP)

- In 2018 the High Court ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".
- We can confirm GMP has been considered by the Actuary whom concluded that any further adjustments to the liability were not necessary

Audit findings - Other matters arising.

In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Controls over disclosures

International Standards on Auditing require us to express an opinion on the financial statements as a whole. This includes the notes to the financial statements. Therefore, it is important that during all stages of the audit we give appropriate consideration to the disclosures made within the notes to the financial statements. We must also ensure that the financial statement disclosures are in line with the AAD.

Key elements of our work included:

- Understanding who prepares the key disclosure information and establishing what controls are in place to ensure that they are complete and accurate;
- Agreeing the material disclosures within the accounts to the appropriate supporting documentation

We have nothing to report on the way in which disclosures have been prepared by management. Generally, disclosures provided to us were accurate and in line with the relevant legal frameworks.

Audit findings - Other matters arising.

In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Other matters

Key audit issues noted:

Devolved formula capital and sports premium deferral
Devolved formula capital income and sports premium income had both been deferred into 20/21, revenue grant income should be recognised upon entitlement and carried forward into the next year via funds. As a result £25,728 has been released to the SOFA, £7,001, £9,839, £1,934 and £6,954 in St Gregory's, Our Lady St Hubert's, St Philips and St Francis respectively.

Teaching school
There is grant income included within the restricted surplus balance of £73,595 relating to the teaching school within Our Lady St Hubert's.

We have obtained no evidence to confirm that the unspent grants within this fund are subject to clawback however we recommend that management investigate this issue further to ensure that any funds that may be owed back to grant providers are repaid.

All schools- school fund posting
The school fund income and expenditure had not been posted to the accounts, as a result there was a net overstatement of surplus of £8,043 and £2,757 in St Francis Xavier and St Philips respectively. There was also a net understatement of surplus of £2,879 and £6,172 in St Gregorys and Our Lady St Huberts respectively.

This has been adjusted for within the financial statements.

Audit findings - Other matters arising.

In this section we comment on **other audit matters** which arose during and after our audit fieldwork, including key additional risks, judgments or other matters in relation to the financial statements.

Other matters

Late client adjustments
During the audit we received several late adjustments after receipt of the trial balance. The majority of these adjustments were needed in order to bring the trial balance in line with the control account balances on which further work was required at time of audit. This resulted in a total overstatement of the in year surplus amounting to £55,566 across the Trust, please see the summary of misstatements identified section of this report.

While improvements have been demonstrated over the years there remains a lack of appropriate procedure and a limitation in the accounting systems in place. These issues have reduced overall finance control and hindered timely production of accurate financial information.

We recommend that control accounts continue to be maintained and that they are reconciled to the trial balance on a monthly basis to ensure all transactions are accounted for, the management accounts report the correct position to the board and the year end position is correct.

Due to the transfer of Emmaus Catholic Multi Academy Company as of 1 February 2021 new systems and processes will be introduced to bring the Trust in line with the effective procedures at St Nicolas Owen Catholic MAC.

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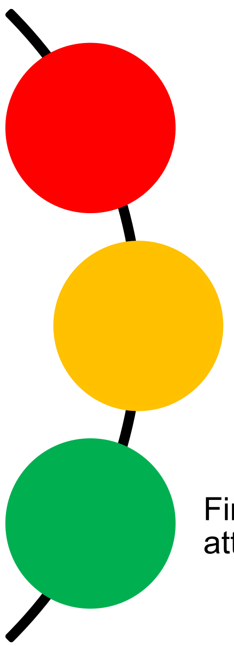
Systems and controls.

Systems and controls.

We have set out in this section the key internal control matters identified during our audit work which we believe merit being reported to you.

Our evaluation of the systems and controls relevant to the preparation of the financial statements of SCOS was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's processes and control environment and would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors which are immaterial to the financial statements.



Findings categorised as red are high significance and require urgent action

Findings categorised as amber are of a less urgent nature, but still require reasonably prompt action

Findings categorised as green are of lower significance and merit attention within an agreed timescale

Systems and controls – current year findings.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
High	**Control accounts** During the audit we received several late client adjustments after receipt of the trial balance. The majority of these adjustments were to bring the TB in line with the control accounts which required further work at time of audit.	We recommend that control accounts are reconciled to the TB on a monthly basis to ensure all transactions are accounted for, the management accounts report the correct position to the board and the year end position is correct.	To be implemented going forward.
High	**Employee salary payments** During our payroll reconciliation work it became apparent that two members of staff had been overpaid during the year, by approximately £700 and £900. this was identified by the schools during the year and reimbursements obtained from the individuals involved.	We recommend a detailed review of the payroll is undertaken prior to authorisation to ensure that employees are paid the correct amount.	It is not clear whether this was an EPM or internal error.
High	**Bank reconciliations** Bank reconciliations at year end did not agree to the trial balance due to opening journal entries which had not been cleared. The majority of these differences were trivial however an adjustment was made within Our Lady St Hubert's as both bank and surplus were overstated by £15,370.	We recommend that monthly bank reconciliations are run between the bank statement and the trial balance to ensure the correct bank balance is reflected within underlying financial information.	The differences were caused by intercompany journals which had not been appropriately released from 2019. This was due to an issue regarding the opening balance posting on the new system, therefore will not be an issue going forward.
Med	**Fixed asset depreciation** Within St Francis leasehold property has been depreciated over 150 years, rather than the 50 years per the accounting policy or the recommended 125 years as per prior year audit findings. This resulted in an additional depreciation charge within St Francis of £31,687.	We recommend that depreciation rates are applied consistently across all schools within the Trust.	Miscalculation on the fixed asset register only, a one off human error.

Systems and controls – current year findings.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
Med	**VAT claims** The last VAT claim submitted to HMRC by the Trust was as at April 2020. The remaining four months in the year have not yet been claimed.	We recommend that timely HMRC VAT submissions are made to maintain cashflow.	To be implemented going forward.
Med	**Internal audit** Issues raised by the internal audit review undertaken by DRB in May, most notably issues surrounding the timely completion of bank reconciliations, have not been actioned by the Trust.	We recommend that control points raised by the internal auditor are actioned as soon as practicable.	To be implemented going forward.
Low	**Fixed asset register** The fixed asset register had not been maintained during the year requiring late client adjustments to be made during the audit. It was also noted that computer equipment figures for St Phillips had not been updated since the previous year.	We recommend that the fixed asset register is periodically updated during the year to ensure assets are appropriately accounted for.	To be implemented going forward.
Low	**LGPS valuation** During conversations with management It became apparent that SCOS do not complete any checks on the information provided to the actuary. This is due to EPM (payroll provider) completing the necessary reconciliations for the actuaries on SCOS's behalf.	We recommend that the payroll information provided to the actuary is checked by a member of SCOS staff.	To be implemented going forward.

Systems and controls – current year findings.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
Low	**VAT reimbursement across schools** VAT from the 2019 year end which had previously been received by the Trust has not been allocated across the four schools. As a result there is an intercompany creditor within Trust of £249,769 and constituent debtors within each school relating to the previous years VAT claim.	We recommend that the Trust reimburses the schools for VAT due in a timely manner given these funds are due to the schools.	To be implemented going forward.
Low	**Companies house** Trustee records on companies house have not been appropriately updated for name changes and resignations within the year.	We recommend that companies house are updated for any trustee changes in a timely manner.	To be implemented going forward.
Low	**Budget submission** It was not possible to review the budget submitted to the ESFA due to the relevant report not being run at time of submission.	We recommend that a copy of the BFR is retained by SCOS for future reference.	To be implemented going forward.

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	**Inter-academy reconciliations** During our audit of inter-academy transactions it became apparent that there was no reconciliation of such balances. As a result a reconciliation had to be performed in order to eliminate these balances and transactions from the Trust accounts. We recommend that inter-academy balances are reconciled frequently in order to maintain control and ensure accuracy of inter-academy transactions.	None	Reconciliations completed upon audit request.
Low	**Sandwell council income** During the audit of income it was not possible to obtain remittances from Sandwell council for Early years extended hours funding. This is due to Sandwell council not providing the remittances, income it confirmed via phone-call upon receipt of additional income. We recommend that confirmation is obtained in writing from the council to confirm that income is complete and to avoid potential clawback issues arising.	Clear	Remittances obtained in the current year.
Low	**Sandwell payroll controls** Three teachers could not be reconciled back to payroll reports, this was due to Sandwell issuing a late pay scale increase, and in the mean time they issued a notional increase. Once the pay scales had been finalised they issued the full increase to the new pay scales. We recommend that confirmation over individual's salaries is maintained to enable SCOS to review and confirm teacher's salaries.	Clear	No such issues identified in the current year, payroll provider switched to EPM.

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	**Credit card statements not maintained** During our regularity testing it was noted that not all of the credit card statements and supporting paperwork was available throughout the trust. As a consequence we were not able to sufficiently test the credit card expenditure to confirm that controls have operated properly and that expenditure is appropriate. It should also be ensured that the balance is repaid by the end of each month as this could constitute borrowing. We recommend that all credit card statements are kept in order to demonstrate that the controls in place are working effectively and that government monies are being spent as they should be.	None	We were not able to obtain credit card statements for the whole year for any of the schools. In lieu of this we requested the September 2020 statements to verify the year end balance, which on review presented no issues. New mandates have been introduced post year end to update signatories for individuals who had left the Trust but were still card holders. We recommend a procedure be put in place for all credit card statements to be sent to the central office for processing, expenditure review and filing.
Med	**St Philips and St Francis - salary letters** Salary letters were not available for all members of staff (both teachers and non- teachers) due to the letters not being produced and kept in employee files. There is a risk that a member of staff could be paid incorrectly or potential for a lack of documenting evidence in the event of a dispute. We recommend that up to date salary letters are maintained in relevant staff files as evidence of a change in their terms and conditions.	Clear	No such issues identified in the current year.
High	**All schools – Edubase** Edubase has not been kept up to date with key Academy changes. Notably the members, accounting officer and trustees listing has not been updated. We recommend that Edubase is reviewed regularly and updated within 14 days of any changes to ensure information is correct as required by section 4.7.4 of the Academy Financial Handbook.	Clear	No such issues identified in the current year.

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	**Trust wide - ledger postings** **St Philips - Expenditure posting** Due to the ledger code restructure some expenditure has been posted in error, notably agency costs were posted to pension nominals. This results in gross salaries being understated by £51,937 and pensions being overstated by this amount also. **All schools - Social Security and Other Taxes** PAYE has been posted to a nominal account in other creditors which includes pension. Good practice would be for PAYE to be posted to its own account to enable ease of control and identification of errors. **St Francis pupil premium posting** Expenditure relating to pupil premium was posted against the pupil premium income nominal. As a result the income was understated and expenditure was understated by £5,211. Income and expenditure should be posted to separate nominals rather than netted off. **Our Lady St Hubert's - Posting accuracy** Accrued income had been posted to accruals and vice versa, overall this left assets understated and liabilities understated by £62,795. We recommend that journals are reviewed to ensure accuracy. We recommend a review of the new nominal code structure to ensure that staff are posting expenses to the correct ledger codes.	Partial	As per last year there were still instances of mis posting, such as pupil premium income across all schools and intercompany posting to nominals.

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	**Depreciation of land** Leasehold land is currently being depreciated over 50 years as opposed to being over the lease term of 125 years due to the value of the land element alone being unidentified. The result is that the land element of each leasehold property being depreciated too quickly. As per accounting standards, leasehold land should be depreciated over the life of the lease and not the expected life of the building, which would generally be a shorter time frame. We recommend that the land element is depreciated over the life of the lease.	None	The land element remains depreciated at 50 years.
Med	**Declarations of interest** During our testing of business declaration forms, it was found that not all forms have been received during the year. We were able to test all trustee forms with no issues. The AFH states that 'The academy trust's register of interests must capture relevant business and pecuniary interests of members, trustees, local governors of academies within a MAT and senior employees'. We recommend that all of the declaration forms are requested and held at trust level to ensure that all business interests are known to the trust so that the appropriate controls can be implemented in regards to transactions and possible contractual arrangements.	Clear	No such issues identified in the current year.

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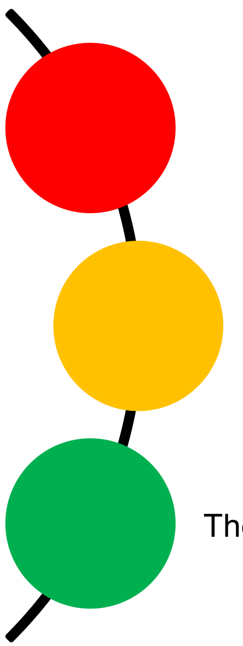
Regularity and Propriety.

Matters arising in relation to regularity and propriety.

We have set out in this section the regularity and propriety matters identified during our audit work which we believe merit being reported to you.

Our evaluation of regularity and propriety matters relevant to the preparation of the financial statements of SCOS was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's regularity and propriety environment and would not necessarily reveal all regularity and propriety issues which a special investigation might highlight, nor irregularities or errors which are immaterial to the financial statements.



These findings are significant and will be included in the regularity report

These findings require reasonably prompt corrective action but do not require inclusion in the regularity report

These findings merit attention within an agreed timescale

Regularity and propriety – current year findings.

Priority	Audit finding this year	Crowe Recommendation	Management comment / proposed action and timescale
Med	**Credit card expenditure** We sampled a selection of credit card expenses from those statements made available to us. It was not possible to obtain supporting documentation, claim form and receipt, all of our sample. Where we were not able to obtain supporting documentation we could not confirm that there was no irregular spend. Additionally it was also not possible to verify that controls surrounding review and authorisation of expenditure took place in all cases during the year.	We recommend that an evidenced monthly review of credit card expenditure is undertaken to ensure no irregular spending occurs. We also recommend credit card statements, claim forms with authorisation and receipts are maintained by the finance department for future reference.	To be implemented going forward.

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Summary of misstatements identified.

Summary of adjustments.

The following adjustments to the financial statements arose throughout our audit work and have been agreed with and processed by management.

Summary of adjusted misstatements	Trust £	St Gregorys	Our Lady	St Philips £	St Francis £	Total £
Result per draft financial statements	**4,818**	**(6,840)**	**118,249**	**13,109**	**(21,647)**	**107,689**
Late client adjustments set one- control account and fixed asset correction		19,358	(2,000)	(10,103)	1,060	**8,315**
Late client adjustments set two- control account correction	(985)	(12,210)	(1,491)	(4,444)	(8,643)	**(27,773)**
Late client adjustments set three- Hadley grant		(36,000)				**(36,000)**
Late client adjustments set four- missing expenditure	(2,131)					**(2,131)**
Late client adjustments set five - intercompany correction	2,023					**2,023**
Devolved capital formula release from deferred income		4,246	8,113	1,608		**13,967**
Sports premium release from deferred income		2,755	1,726	326	6,954	**11,761**
LGPS posting	(283,000)					**(283,000)**
Depreciation correction					(31,687)	**(31,687)**
School fund posting		2,879	6,172	(2,757)	(8,043)	**(1,749)**
Intercompany correction			1,700			**1,700**
Bank reconciliation error			(15,370)			**(15,370)**
Total adjustments agreed and processed by management	**(284,093)**	**(18,972)**	**(1,150)**	**(15,370)**	**(40,359)**	(359,944)
Revised result per final financial statements						**(252,255)**

Appendices

Crowe

A reminder of audit scope and some key responsibilities.

Scope of our audit and our report to you.

Overview of audit scope and approach

Purpose

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of St Catherine of Siena Multi Academy Company, prepared by management with the oversight of the Trustees, and has been carried out in accordance with International Standards on Auditing (UK) ("ISAs").

Approach

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

Materiality

Our audit approach is based on consideration of audit materiality as explained in our Planning Report. The assessment of materiality is a matter of professional judgment but, overall, a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the "true and fair" view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality has been considered having regard to the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

We do not therefore seek to review all immaterial amounts.

Ethical Standards

We are required by the relevant Revised Ethical Standard for auditors issued by the Financial Reporting Council ("FRC") to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Revised Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As stated in our Planning Report, in our professional judgement, there are no relationships between Crowe U.K. LLP and SCOS, nor any other matters of note, that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention since our Planning Report was issued to The Board.

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
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS102) (effective 1 January 2019)
- Academies Account Direction 2019 to 2020
- Academies Financial Handbook 2019
- Applicable Accounting Standards

Our responsibilities in respect of the audit.

The scope of an audit and **our responsibilities in respect of the audit** are set out below.

We are responsible for forming and expressing an opinion on the financial statements prepared by management, with the oversight of those charged with governance. The audit of the financial statements does no relieve management or those charged with governance of their responsibilities.

Consistent with our responsibilities we will provide an audit opinion as to whether the financial statements give a true and fair view of the Trust's state of affairs at 31 August 2020 and its result for the year then ended. Our audit report will be addressed to the members of St Catherine of Siena Multi Academy Company.

The scope of the audit work and the design of audit tests undertaken will be solely for the purposes of forming an audit opinion on the financial statements.

Our audit responsibilities do extend to the other information that is published with the financial statements. Our responsibility in respect of these other statements is to read the information contained therein to ensure that there are no matters that are inconsistent with the accounts. If there are inconsistencies or apparent mis-statements, we have to consider the impact on our audit report.

We are required to assess the business risks and risks of fraud within the Trust and to assess the systems and controls in place to mitigate these risks. This will form an integral part of our evaluation of the control environment.

We are also required to evaluate the design, implementation and monitoring of your internal control systems. We will do this by ensuring that we understand your systems and identifying the key controls that operate therein.

The scope of our audit work in this area will be undertaken solely for the purposes of forming an opinion on the statutory accounts. Our examination will not be specifically structured to detect fraud, all errors or non-compliance with all laws and regulations.

Communicating with you.

In respect of the audit, International Standards on Auditing require us to communicate certain prescribed matters to those charged with governance of SCOS. **Our approach to written communications with you is:**

Audit matter	Planning Report	Findings Report
Planned audit scope and responsibilities of the auditor	✓	
Responsibilities of management and those charged with governance	✓	
Timings, logistics and planned communications is response to significant audit risks and key audit matters	✓	
Key issues in respect of going concern	✓	✓
Confirmation of our consideration of, and compliance with, ethical requirements, particularly concerning our independence and objectivity.	✓	✓
Key findings and issues identified throughout the audit		✓
Proposed modifications to the Audit Report, including emphasis of matter narrative		✓
Discovery or reasonable suspicion of material misstatement arising through fraudulent activity by management		✓
Material non-compliance with relevant laws and regulations		✓
Unadjusted misstatements above the trivial reporting level		✓
Consideration of the qualitative elements of the financial statements, including narrative reporting, inconsistencies between surround information and the financial statements, selection and application of accounting policies, disclosure notes and accounting estimates and judgements.		✓
Significant difficulties, limitations or challenges in obtaining audit evidence and completing audit work		✓
Significant deficiencies in the internal control environment		✓
Significant matters identified in respect of related parties		✓

Fraud – our work and your responsibilities.

As explained in our Planning Report, **the safeguarding of assets and the prevention and detection of fraud, error and non-compliance with law or regulations rests with the The Board of SCOS.** International Standards on Auditing require us to consider fraud when planning and executing our audit.

Audit work and limitations in respect of actual and suspected fraud

We planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including any material misstatements resulting from fraud, error or non-compliance with law or regulations).

However, no internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

As part of our audit procedures we made enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. We have also considered fraud risk by reference to our knowledge of the structure, systems and industry in which SCOS operates, as well as emerging fraud risks.

We have reviewed and discussed the accounting and internal controls systems management has put in place to address these risks and to prevent and detect error. However, we emphasise that management and The Board should ensure that these matters are considered and reviewed on a regular basis.

Audit work and limitations in respect of actual and suspected fraud

We have included the following statements in the letter of representation which we require from the Trustees when the financial statements are approved.

- The Trustees acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The Trustees have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The Trustees are not aware of any fraud or suspected fraud affecting the company involving management, those charged with governance, or employees who have a significant role in internal control or who could have a material effect on the financial statements.
- The Trustees are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the financial statements.

We draw your attention to bullet point 2 above, which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the financial statements, or in the period since the previous year end. We emphasise that this section is provided to explain our approach to fraud and error, but the responsibility to make and consider your own assessment rests with yourselves.

Crowe