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17 December 2021

Dear Sirs

## REPORT TO THOSE CHARGED WITH GOVERNANCE

During the course of our audit for the year ended 31 August 2021 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

This report has been prepared for the sole use of the governors of Lumen Learning Trust and must not be shown to third parties without our prior consent. No responsibility is accepted by James Cowper Kreston towards any party acting or refraining from action because of this report.

We have already discussed the contents of this report with management and the comments reflect their views where appropriate.

Finally, we would like to express our thanks to the Trustees and the charity's staff for the assistance afforded to us during the audit.

Yours faithfully



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**POINTS NOTED DURING THE COURSE OF OUR AUDIT FOR THE YEAR ENDED 31 AUGUST 2021**

**Anticipated audit report**

We anticipate issuing an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

**Summary of audit issues**

<b>Significant risk areas identified at planning stage</b>	<b>Conclusion</b>
<b>Management override</b> - Under the ISAs, risks arising from management override of the Academy's procedures and controls is always presumed to be a source of significant financial statement risk.	During the audit fieldwork we tested a sample of journal transactions and reviewed areas of specific management judgment and estimations. No evidence of management override was noted. We also reviewed the accounting policies to ensure that the accounts are in line with the Accounts Direction 2020 to 2021.
<b>Income recognition</b> - Again under the ISAs, risks arising from income recognition are generally always presumed to be a source of significant financial statement risk.	Our audit approach involved performing analytical review procedures and other substantive tests of income transactions. This included testing a sample of income transactions (including revenue and capital grants) to source documentation to ensure income has been recognised in the correct period.
<b>Related parties</b> – Transactions and disclosures in the financial statements.	We reviewed the list of related parties provided by the Governors to ensure all transactions have been identified and disclosed in the financial statements. We tested Governors remuneration, to ensure appropriate disclosures have been made. The disclosures were deemed to be in line with the requirements of the Accounts Direction and other relevant accounting standards.

**Internal controls**

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

<b>Priority (High/Medium/Low)</b>	<b>Control weakness identified</b>	<b>Potential implications</b>	<b>Recommendation</b>	<b>Management's response</b>
Low	At the year-end accrued income had not been calculated to reflect the year-end correctly.	Income may not be recorded in the correct period.	We would recommend that CIF projects spanning the year-end are reviewed to ensure that accrued income is recognised appropriately.	

## Summary of audit differences

During the course of the audit, we identified certain misstatements in the financial statements prepared by management.

Those misstatements have been discussed with management and certain items have been corrected in preparing the final statutory accounts. Attached is a schedule of adjustments.

No Unadjusting differences have been identified as part of the audit.

## Draft letter of representation

Attached is a draft letter of management representations. We would be grateful if you could print this off on headed paper, arrange its approval, along with the approval of the financial statements, and return a signed and dated copy. We also attach a draft letter of representation to cover certain representations as required as part of our regularity assurance engagement (see below for more details).

## Other matters we are required to report

Auditing Standards require us to report to you any significant matters arising from the audit, in respect of the following:

- Actual or suspected instances of fraud
- Material weaknesses in internal control
- Disagreements with management in respect of significant matters
- Matters relating to our independence that have not already been communicated to you.

We confirm that we have nothing to report to you in respect of the above.

## Current and emerging issues

We have summarised below some of the developments within the academy sector over the recent period. Please note that this information is provided as a summary only and that you should seek further advice if you intend to act based upon the information.

We issue regular academy updates via email, if you would like to receive our updates, please email your details to [info@jamescowperkreston.co.uk](mailto:info@jamescowperkreston.co.uk). Alternatively, these briefings are available on our website together with webinars on academy related topics.

### *Academy Trust Handbook (formerly Academies Financial Handbook)*

The Academy Trust Handbook 2021 covers the financial framework for Academies and matters such as financial governance and financial management, roles and responsibilities and delegated authorities and freedoms. It is important to note that these changes in the 2021 Handbook are effective from 1 September 2021. Changes include:

- Replacing the term 'clerk' with 'governance professional' – As a reminder, it is now a requirement for the academy trust to appoint a governance professional to support the board of trustees who is someone other than a trustee, principal or chief executive of the trust.
- Updating information on what trusts must publish on their website in relation to employees whose benefits exceed £100,000.
- Internal scrutiny – emphasising that the chair of the audit and risk committee should not be the same person as the chair of the finance committee, and that internal scrutiny must not be carried out by a member of the senior leadership team.
- Guidance in relation to the re-tender process for external audit
- Information and guidance on cybercrime

- Delegated authorities – trusts must obtain prior approval for staff severance payments of £100,000 or more which include a non-statutory/non-contractual elements, and/or where the employee earns over £150,000.

We would recommend that all trustees review part 8 of the Academy Trust Handbook, which includes the top ten 'musts' for chairs and other trustees.

#### *Filing requirements*

Deadlines in the prior year were extended as a result of Covid-19. The timetable has reverted back - the date by which you must send your financial statements to the ESFA is 31 December 2021. You will need to submit the management letter, accounts submission coversheet and internal scrutiny annual report at the same time as your financial statements. The deadline for submitting your accounts return is 25 January 2022.

You must also continue to publish your financial statements on the trust's website promptly, with a deadline of 31 January 2022.

#### *Dear Accounting officer letters (AO)*

The ESFA have reminded Academies that all AO letters are available online and that these letters must be discussed by the board.

The most recent letter includes information about the Academy Trust Handbook 2021, published on 14 July 2021. It also draws attention to the published Academies Accounts Direction, the financial management and governance good practice guides, the school resource management self-assessment tool, and the timetable for financial returns for 2021/22.

#### *Internal scrutiny*

All academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and other controls, and risk management procedures, are operating effectively. The areas to be reviewed each year must be identified using a risk-based assessment.

The requirement for a trust to submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to the ESFA when it submits its audited annual accounts came into effect in Autumn 2020.

The trust must also provide the ESFA with any other internal scrutiny reports if requested. It is the trustees' responsibility to ensure the necessary reviews have been undertaken for compliance and they are responsible for submitting an appropriate report.

To help academies with the internal scrutiny requirements, the ESFA have published a good practice guide which can be found at <https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/internal-scrutiny-in-academy-trusts>. The guide includes a suggested format for the internal scrutiny annual report.

Further information on what is expected from trusts in these areas can be found in the Academy Trust Handbook. As previously communicated, the Financial Reporting Council's revised Ethical Standard prohibits external auditors from also performing the internal assurance work. However, **in order to support our clients, we are working with other independent Kreston firms to offer an alternative, trusted solution for you.** If you would like to explore this in more detail, please call or email your usual James Cowper Kreston contact.

#### *Themes arising from ESFA's assurance review*

The ESFA published a briefing note providing an overview of the key assurance findings from the ESFA assurance year 2020 to 2021, including the review of academy trust financial statements, academy funding audits, financial management and governance reviews.

The ESFA found that 97% of financial statements were received by the deadline (2019: 98%). The main reasons for delays were similar to previous years.

It was identified that a number of non-compliant documents were being submitted for the annual summary internal scrutiny report, which was a new requirement for Autumn 2020 (see above). Examples of non-compliance included the following:

- An extract copied from the governance statement taken directly from the accounts
- An extract from the external auditor management letter
- Minutes from a committee meeting

Areas identified for improvement from the financial management and governance reviews carried out by the ESFA included the following:

- Establishing an audit and risk committee and agreeing a programme of work to address risks to financial control
- Delivery of an appropriate internal scrutiny programme and oversight of the findings
- Ensuring management accounts contain all required elements and are shared with trustees six times a year
- Publishing of pecuniary interests of trustees and governing structure on their website
- Sound internal control framework with clearly communicated procedures, appropriate day to day supervision and regular management checks.

#### *Benchmarking report*

It is becoming more important than ever to keep control of costs and be innovative. Benchmarking data should be used to understand financial performance and to guide decision making.

Every February we publish a benchmarking report specifically for our academy clients. The report will include information from over 300 Trusts representing more than 1,400 schools that are clients of the constituent members of the Kreston Academies Group. The report should be of use to Business Managers, Accounting Officers and trustees and should provide real insight into emerging trends within the sector. We recommend that you review the report, and we would be happy to help with any queries.