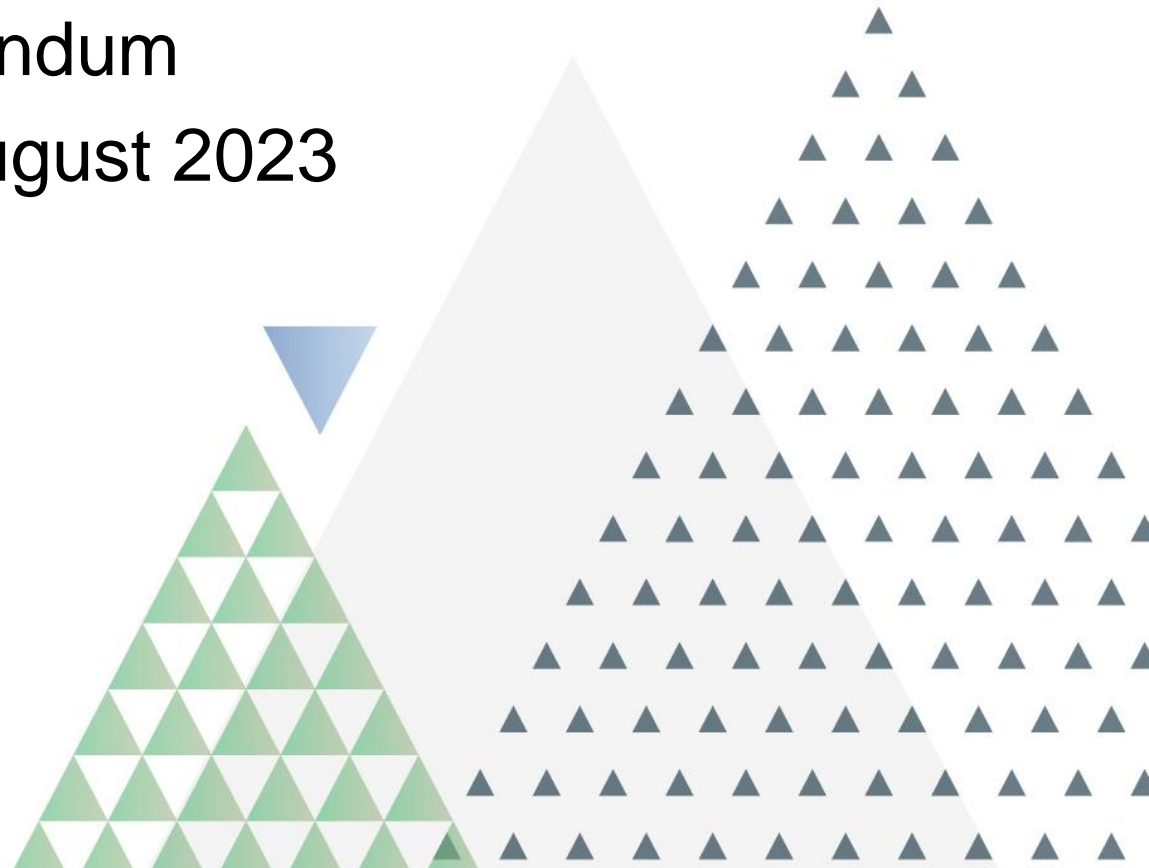




# Ribbon Academy Trust

Audit Highlights Memorandum  
for the Year Ended 31 August 2023

15 November 2023



# Contents



Executive Summary	01
Summary of Audit Findings	02
Other Matters	03
Audit Communication	04
Internal Control Observations	05
Independence and Ethics	06
<b>Appendices</b>	
Adjusted Misstatements	01
Unadjusted Misstatements	02
Prior year internal control observations	03

This report is provided on the basis that it is for the information of the Board only and that it will not be quoted from or referred to, in whole or in part, for any other purpose without our prior written consent. No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.



# 1. Executive Summary



# Executive Summary

## INTRODUCTION

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs UK)), which is directed towards forming and expressing an opinion on the financial statements. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, including those in respect of the preparation of financial statements.

There is more detail in respect of the responsibilities of the auditor and those charged with governance within our engagement letter. Our standard terms and conditions can be found at <https://www.azets.co.uk/terms-of-business>.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Brian Laidlaw.

## OUR AUDIT REPORT

We do not propose any modifications to our audit opinion which is unqualified. However, our responsibilities in respect of the audit report extend up to the date it is signed. We will advise you of any changes to this position, if necessary.

## INDEPENDENT REPORTING ACCOUNTANTS REPORT ON REGULARITY

Subject to satisfactory completion of the outstanding items, we do not expect to make any modifications to our reporting accountants report.

## AUDIT APPROACH

There were no changes to our audit approach as set out to you in our letter.

## STATUS OF THE AUDIT

We have substantially completed our audit of the financial statements of the company. The following is a list of the outstanding items:

- Post year end management accounts
- Savings account bank letter (Azets)
- Updated 2023 engagement letter (Azets to send)

# Executive Summary

## AREAS OF AUDIT FOCUS

During our audit planning we identified a number of specific areas of audit risk. This report sets out our observations and conclusions in relation to these original identified audit risks along with other matters identified during the course of the audit. These are summarised in Section 2.

## ADJUSTED MISSTATEMENTS

We have discussed with management and asked them to correct certain misstatements we identified in the financial statements. We attach a schedule in Appendix 1 that records the adjusted misstatements.

## UNADJUSTED MISSTATEMENTS

We attach a schedule in Appendix 2 that records the unadjusted misstatements. The schedule does not include matters we believe to be clearly trivial in the context of the financial statements. We have asked you separately to affirm in writing whether you believe the effects of the uncorrected misstatements to be immaterial individually and in aggregate to the financial statements as a whole.

## OTHER MATTERS FOR FURTHER DISCUSSION

Section 3 includes other matters which we have highlighted from our audit work.

## CONTROL RECOMMENDATIONS

We did not identify any performance improvement observations – confirmation of which are shown in Section 5.

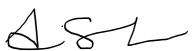
## INDEPENDENCE

We considered our independence during the audit planning and continued to assess this throughout our work. We can confirm that there have been no changes or further threats identified (to our independence) arising during the audit. Further details are included in section 6.

# Executive Summary

## CONFIRMATION OF CONTENTS BY THOSE CHARGED WITH GOVERNANCE

We confirm in writing the contents of this documents, including audit findings, other matters, control recommendations and adjusted and unadjusted misstatements.



Ashleigh Sheridan 12 Dec 2023 15:57:04 GMT (UTC +0)

.....

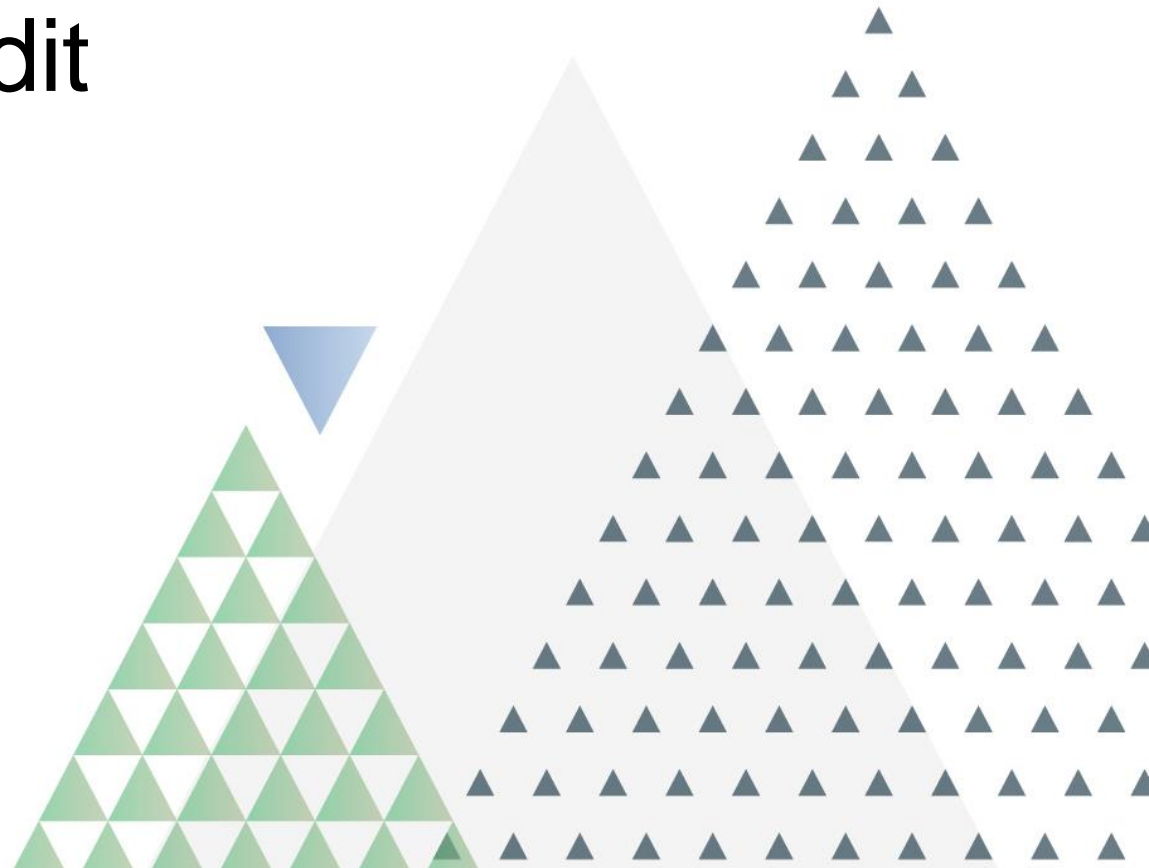
Name:

Position: Director

Date: 14 December 2023



## 2. Summary of Audit Findings



# Audit Risks

## AUDIT RISKS IDENTIFIED AT THE AUDIT PLANNING STAGE

At the planning stage of the audit we assess the risk of material misstatement within the financial statements. We identify audit risks to focus our work in order to provide a robust audit opinion.

Management override of controls and income recognition are included below as there is a presumption within International Standards on Auditing (UK) for all audits that these are significant risks.

## SIGNIFICANT RISKS AT THE FINANCIAL STATEMENT LEVEL

The below table summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Audit Risk	Audit Approach	Conclusion
<p><b>Management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Risk of material misstatement: High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgements and decisions made by management;</li> <li>• Testing of journal entries; and</li> <li>• Review of any unusual significant transactions.</li> </ul>	<p>From the audit work undertaken, no instances of management override of controls has been identified.</p>



# Audit Risks

## SIGNIFICANT RISKS AT THE ASSERTION LEVEL FOR CLASSES OF TRANSACTION, ACCOUNT BALANCES AND DISCLOSURES

The below table summarises significant risks of material misstatement assertion level for classes of transaction, account balances and disclosures.

Audit Risk	Audit Approach	Conclusion
<p><b>Fraud in revenue recognition</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> <li>• Existence: Medium</li> <li>• Cut off: High</li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Review and testing of revenue recognition policies; and</li> <li>• Detailed substantive testing on material revenue streams.</li> </ul>	<p>From the audit work undertaken, revenue appears to be free from material misstatements.</p>
<p><b>Related party transactions</b></p> <p>Under ISA 550 there is a presumed risk that related party transactions may be inaccurate or understated within the financial statements</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> <li>• Completeness: Low</li> <li>• Disclosure: Low</li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Discussions held regarding who is a related party; and</li> <li>• Review of nominal ledger of any potential related party transactions.</li> </ul>	<p>From the audit work undertaken, related party transactions appears to be free from material misstatement.</p>

# Audit Risks

## SIGNIFICANT RISKS AT THE ASSERTION LEVEL FOR CLASSES OF TRANSACTION, ACCOUNT BALANCES AND DISCLOSURES

The below table summarises significant risks of material misstatement assertion level for classes of transaction, account balances and disclosures.

Audit Risk	Audit Approach	Conclusion
<p><b>Valuation of Local Government Pension Scheme (“LGPS”)</b></p> <p>The LGPS is a defined benefit pension scheme. FRS 102 requires entities participating in a group defined benefit pension plan to recognise the net defined benefit cost in their individual financial statements where a relevant agreement or policy exists for charging the net defined benefit cost.</p> <p>There is a risk that this will be calculated incorrectly and as such materially misstated.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> <li>Valuation: Medium</li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>Obtain the valuation from the actuary and ensure any relevant entries are included in the financial statements; and</li> <li>Review assumptions made by the actuary and ensure these are in accordance with our expectations.</li> </ul>	<p>From the audit work undertaken, the defined benefit pension scheme obligation appears to be free from material misstatements.</p>

# Audit Risks

## SIGNIFICANT RISKS AT THE ASSERTION LEVEL FOR CLASSES OF TRANSACTION, ACCOUNT BALANCES AND DISCLOSURES

The below table summarises significant risks of material misstatement assertion level for classes of transaction, account balances and disclosures.

Audit Risk	Audit Approach	Conclusion
<p><b>Restricted funds</b></p> <p>There is a risk that the income and expenditure has been allocated to the incorrect fund.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• All income received from grants will be reviewed to ensure restriction is understood;</li> <li>• A sample of expenditure will be reviewed to ensure spending in line with restrictions; and</li> <li>• Amounts carried forward into future periods reviewed for reasonableness and to ensure within terms of grant.</li> </ul>	<p>Following completion of our audit fieldwork, income and expenditure appears to have been allocated to the correct fund.</p>

# Audit Risks

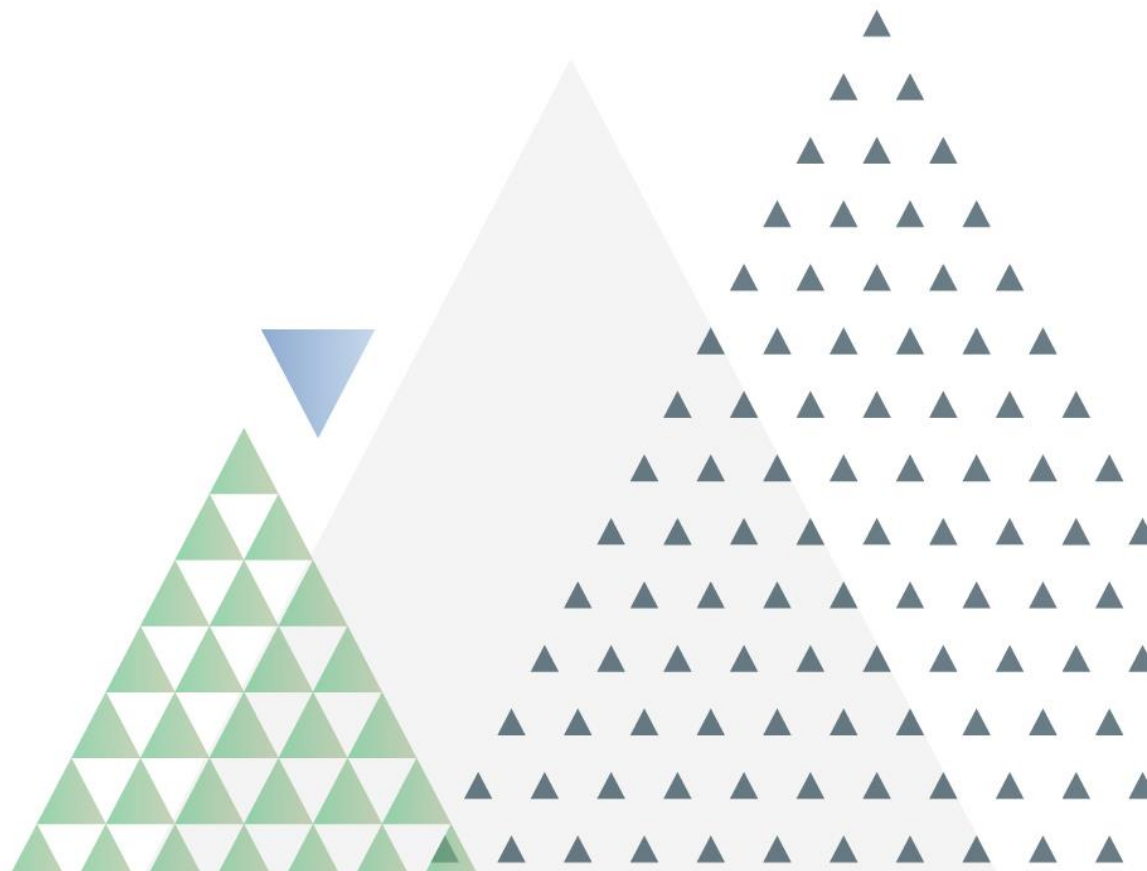
## OTHER IDENTIFIED RISKS

Other identified risks are those which although are not considered to be significant will require specific consideration during the audit.

Audit Risk	Audit Approach	Conclusion
<p><b>Regularity and propriety</b></p> <p>There are a number of laws and regulations specific to academies to which the trust must abide. The most notable of these is compliance with the Academy Trust Handbook. There is a risk that the financial statements could be materially misstated as a result of non-compliance with these requirements.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> <li>Laws and regulations: Medium</li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>Discussions held with management identifying any potential breaches to laws and regulations;</li> <li>Consideration of any documentation received by the trust from regulators that would indicate a significant breach; and</li> <li>Detailed substantive testing on material areas.</li> </ul>	<p>From the audit work undertaken, the Trust appears to have complied with the regularity requirements of the Academy Trust Handbook.</p>



# 3. Other Matters



# Other Matters

## MATTERS IDENTIFIED DURING THE AUDIT FIELDWORK

There are no additional matters identified during the audit fieldwork which we would like to discuss with you.



# 4. Audit Communication



# Audit Communication

## MATERIALITY

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

We planned our procedures using a materiality of £62,500.

The threshold for reporting audit differences has remained at £3,125 being 5% of the overall materiality figure.

The basis for our assessment of materiality has remained consistent with the audit plan.

## ACCOUNTING POLICIES

The accounting policies used in preparing the financial statements are unchanged from the prior year. These have been deemed appropriate for the audited period.

## PRESENTATION AND DISCLOSURES

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the entity.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

## FRAUD AND SUSPECTED FRAUD

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose. In the event that the directors wish to obtain enhanced assurance with regard to the effectiveness of internal control in preventing and detecting fraud we should be happy to provide additional services.



# Audit Communication

## MANAGEMENT REPRESENTATIONS

Auditors normally seek a number of 'management representations' from the Board, which confirm a number of points that we have relied upon in undertaking the audit and in reaching our conclusions. Please ensure that the Management Representation Letter is read and approved prior to signing.

We would seek to draw your attention to the non-standard representations in this letter which are as follows:

- No non standard representations requested

## RELATED PARTIES

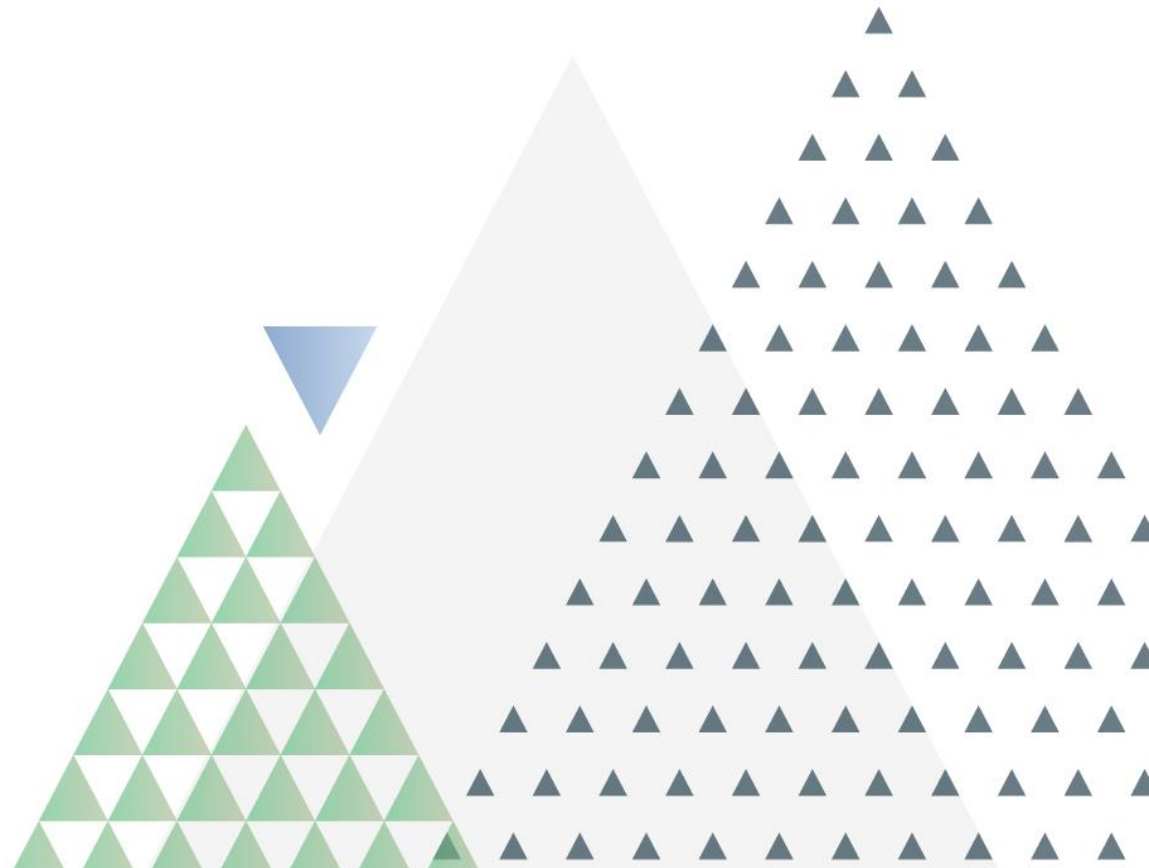
We are not aware of any related party transactions which have not been disclosed.

## CONFIRMATIONS FROM THIRD PARTIES

All requested third party confirmations in respect of bank confirmations have been received. **Savings account bank letter outstanding.**



# 5. Internal Control Observations



# Internal Control Observations

As part of the audit process, we consider the overall control environment and key controls that are observed or tested as part of the audit. During the audit, we identified some areas where the internal controls require to be strengthened. These areas are categorised as follows:

Status	Classification
Red	Fundamental issues which require the consideration of the Directors
Amber	Significant matters which should reviewed by management
Green	These observations merit attention within an agreed timescale

Whilst these points are based on observations noted by our team during the audit fieldwork, they are merely recommendations for discussion with you. As recommendations they are therefore not a criticism of your current procedures.

**No internal control recommendations were identified during the audit.**

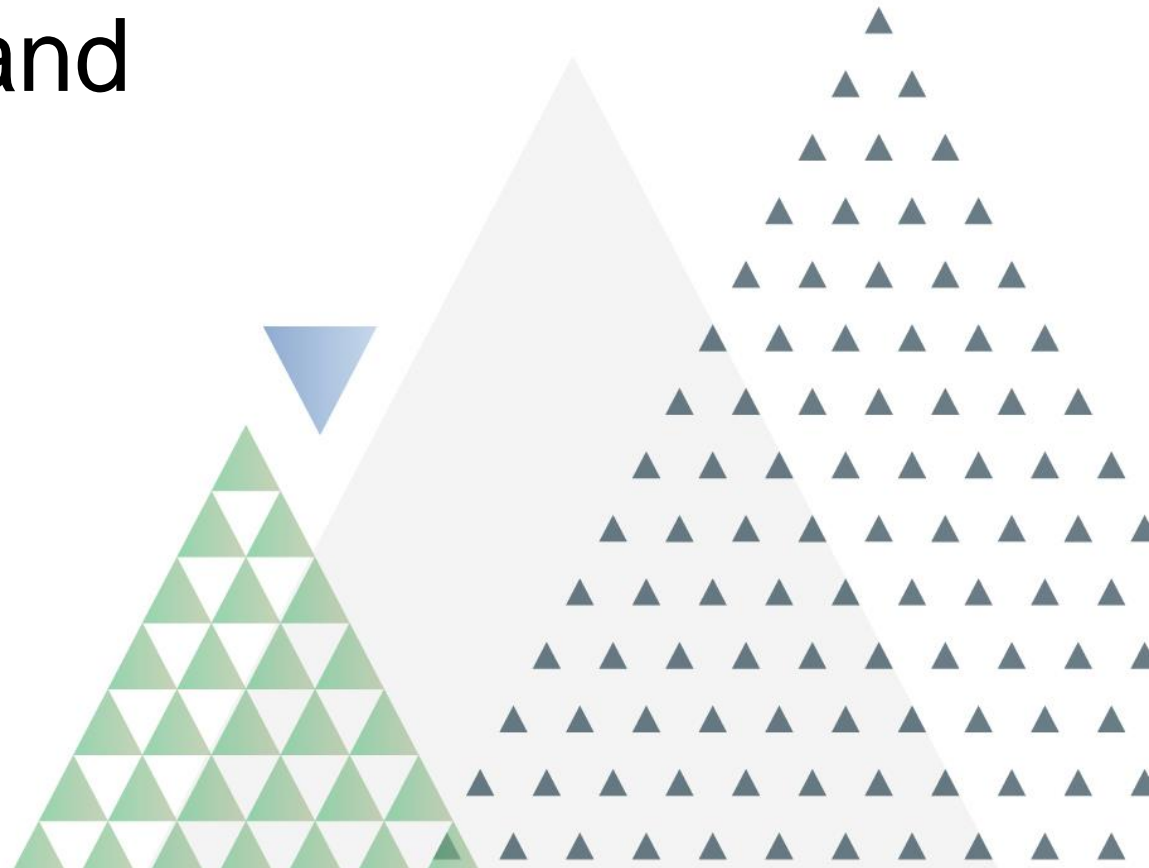
In addition, we followed up the points which arose in the previous period and confirmed these have been actioned and an update on this is included in Appendix 3.

The audit does not involve a comprehensive review of all controls operating within the Company and as such, the following comments should not be assumed to be a complete statement of all weaknesses that may exist in the Company's control environment or within the detailed systems of internal control.

We would respectively reiterate the point that, it is the director's responsibility to ensure that systems, controls, practices and procedures are suitable for your organisation, having delegated the day-to-day control to a management team.



# 6. Independence and Ethics



# Independence and Ethics

In accordance with our profession's ethical requirements and further to our audit planning letter issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity, and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

## PREPARATION OF STATUTORY ACCOUNTS

The statutory accounts are prepared by a qualified member of Azet's team from your management figures and trial balance. They are reviewed by the Audit Manager and Partner. These provide the basis for the audit work.

There are not normally any contentious disclosure issues; however where these arise the relevant notes are approved by your management team prior to the draft accounts being submitted to the board for approval.

## LONG ASSOCIATION

Brian Laidlaw has held the position of RI for a continuous period of over ten years. To mitigate the threat to auditor independence as a result of long association, we have arranged an engagement quality control review of the engagement.

## NON-AUDIT SERVICES

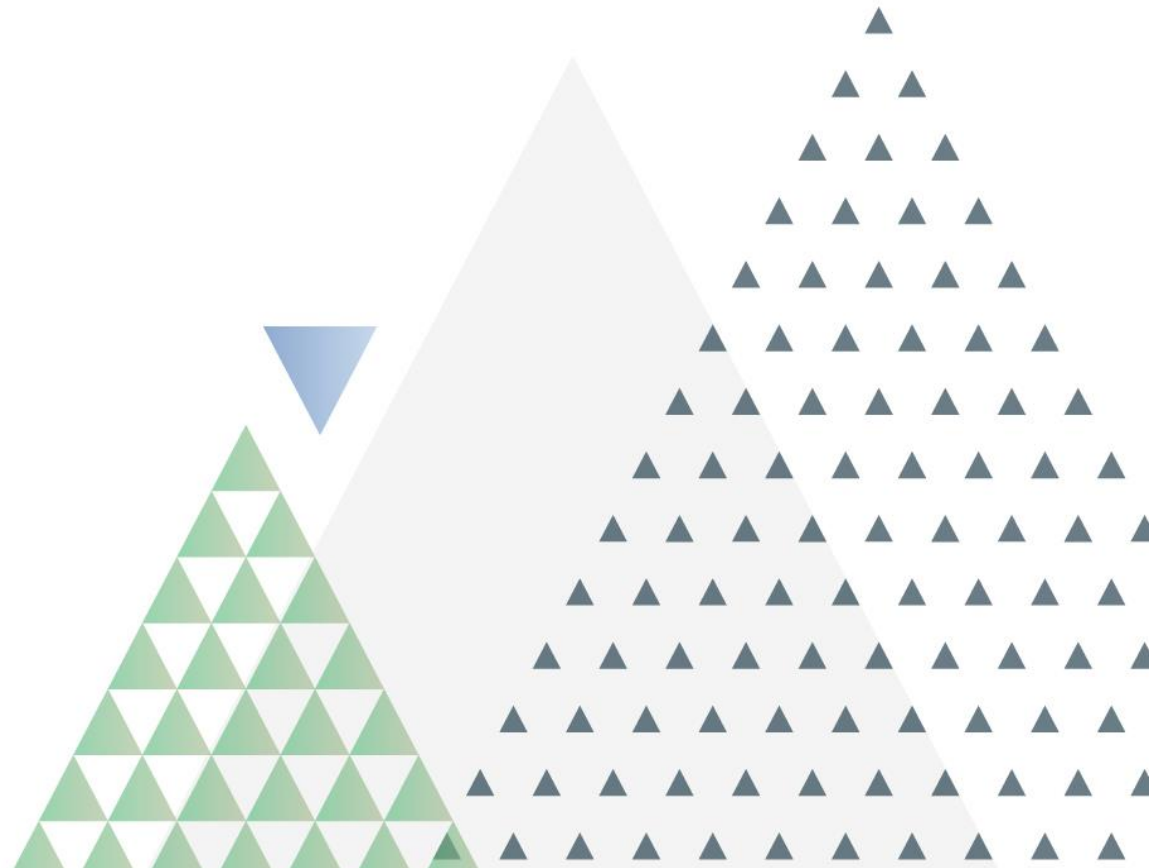
We have detailed in the table overleaf the non-audit services provided, the threats to our independence these present and the safeguards we have put in place to mitigate these threats:

# Independence and Ethics

Non-audit service	Fee	Fee	Type of threat	Safeguard
<b>Preparation and audit of the ESFA accounts return for the period ending 31 August 2023</b>	£1,050	£1,050	Self-review	<p>The accounts return is prepared from the audited financial statements approved by the board of trustees. Any additional information required is obtained from management.</p> <p>The return is reviewed by the Audit Manager and Partner as well the trust's management prior to the return being submitted to the ESFA.</p>
<b>Undertaking teachers' pensions end of year certification</b>	£700	£700	Self-review	<p>We provide certification of the contributions made to the Teachers' Pension Scheme during the year ended 31 March 2023. The results of our finding are reported to management and the Teachers' Pension Scheme, with any proposed adjustment being discussed and approved by management prior to the certification being submitted.</p>



# Appendices



# Appendix 1a: Adjusted Misstatements

	Profit and loss	Balance sheet	Comments
	Debit/(credit) £	Debit/(credit) £	
Expenditure- staff costs	34,000		
Expenditure- finance costs	33,000		
Actuarial (gains)/ losses	(583,000)		
Pension		516,000	
<b>Total</b>	<b>(516,000)</b>	<b>516,000</b>	



## Appendix 1b: Profit Reconciliation

	Profit/(loss)	Comments
	£	
<b>Profit/(loss) per draft</b>	<b>(103,385)</b>	
Adjusted misstatements	516,000	As per Appendix 1a
<b>Profit/(loss) per financial statements</b>	<b>412,615</b>	

# Appendix 1c: Revenue Surplus/(Deficit) Reconciliation

	Profit/(loss)	Comments
	£	
<b>Net income/(expenditure) per financial statements</b>	<b>412,615</b>	
Add back: Net movement in capital funds	8,371	
Add back: LGPS adjustment shown in income		As per Appendix 1a
Add back: LGPS adjustment shown in expenditure	67,000	As per Appendix 1a
Add back: LGPS adjustment shown in gains & losses	(583,000)	As per Appendix 1a
Rounding		
<b>Revenue surplus/(deficit) in the period</b>	<b>(95,014)</b>	

# Appendix 1d: Closing Revenue Balances Reconciliation

		Comments
	£	
Opening restricted reserve per financial statements	0	
Opening unrestricted reserve per financial statements	433,869	
Revenue surplus/(deficit) in the period	(95,014)	As per Appendix 1c
Rounding		
<b>Closing revenue balance</b>	<b>338,855</b>	

		Comments
	£	
Closing restricted reserve per financial statements	0	
Closing unrestricted reserve per financial statements	338,855	
<b>Closing revenue balance</b>	<b>338,855</b>	

## Appendix 2: Unadjusted Misstatements

There were no unadjusted misstatements identified during the audit

## Appendix 3: Prior Year Internal Control Observations

Rating	
<b>Area</b>	Register of Trustee interests on website
<b>Observation</b>	We compared the interests listed on the Trust's website to Companies House for any common directorships. We noted additional directorships were listed on Companies House which had not been declared by Trustee's.
<b>Implication</b>	There could be additional related parties which management are not aware of.
<b>Recommendation</b>	Ensure all interests are declared by Trustees, regardless of whether they are relevant to the organization.
<b>Follow up</b>	No issues were identified during the current year testing

Rating	
<b>Area</b>	September management accounts
<b>Observation</b>	Due to the change of finance system on 1 <sup>st</sup> September 2022, there have been delays in finalising post year end management accounts.
<b>Implication</b>	Non timely management accounts reporting.
<b>Recommendation</b>	Accounts are prepared on a timely basis and submitted to the board for review.
<b>Follow up</b>	This has been resolved in the year

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

[E: hello@azets.co.uk](mailto:hello@azets.co.uk)