



Hadrian Academy Trust

Audit Findings Report for the year ended 31
August 2024

Now, for tomorrow



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Executive summary



Introduction

This Audit Findings Report (AFR) has been prepared to aid discussion with you about the significant and other matters encountered during the audit and how we have concluded on them.

Audit risks

We have obtained sufficient and appropriate audit evidence to conclude on the risks identified in the Audit Planning Memorandum.

Going concern

The financial statements have been prepared on the going concern basis.

Financial statements

We have reviewed your draft financial statements, and the accounting policies are appropriate and have been applied consistently; the disclosures are in line with United Kingdom Generally Accepted Accounting Practice, the Academies Accounts Direction 2023 to 2024 issued by the Education and Skills Funding Agency and the Statement of Recommended Practice for Charities; and the assumptions used in your key accounting estimates are reasonable

We do not expect to modify our audit or otherwise include either an 'emphasis of matter' or 'other matter' paragraph.

Regulatory opinion

Our regularity opinion in the financial statements must reflect all significant and material issues that have been raised in this audit findings report.

There are no significant issues detailed in this management letter which are required to be included in the regularity opinion, hence the regularity opinion in the financial statements has not been modified.

Executive summary continued

Misstatements

We identified adjustable items during the course of our work. You have corrected those on page number 13. Total unadjusted items, as shown page 14, represent a net understatement of £13,884.

Control recommendations

We have not identified any significant control recommendations that should be brought to your attention.

Written representations

We will be requesting both our standard representations and also some specific written representations from you, as detailed on page of this document:

Independence

We confirm that MHA and the engagement team are independent and that our integrity and objectivity are not impaired.

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Introduction

MHA present our audit report and management letter solely for the attention of Hadrian Academy following our audit of the financial statements for the year ended 31 August 2024. This report summarises key issues in connection with the audit of the financial statements and with the regularity assurance engagement, which we consider should be drawn to the attention of the Trustees.

In order to comply with the provisions of International Standards on Auditing we are required to report to you our audit findings and in particular:

- The nature and the scope of audit work we have undertaken
- Views about the qualitative aspects of your accounting practices and financial reporting
- Unadjusted and adjusted misstatements
- Matters specifically required by Auditing Standards to be communicated to those charged with governance (such as fraud and error)
- Expected modifications to our auditor's report
- Material weaknesses in the accounting and internal control systems and
- Any other relevant and material matters relating to the audit.

We note that the Academy is required to provide a copy of this report to the Education and Skills Funding Agency (ESFA) by 31 December 2024 together with the Academy financial statements. If matters arise whose significance is such that they should be brought to your attention sooner, we shall do as required by the ISA and outside these planned arrangements.

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

We would be grateful if you will in due course advise us what action you propose to take on the recommendations in the report and also if you would like our further assistance on these or any other matters.

The report has been prepared in compliance with the ESFA's requirement for reporting to both the Trustees and the ESFA through a management letter. No reports may be provided to third parties, with the exception of the ESFA, without our prior consent. Consent will only be granted on the basis that such reports are not prepared with the interests of anyone other than the Academy in mind and we accept no duty of care or responsibility to any other party. The report may not be relied upon for any other purpose. No responsibilities are accepted by MHA towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all the Academy staff who assisted us in carrying out our work.



Key audit risks

The key audit risks we identified at the audit planning stage are illustrated below. Where these have changed during the audit process, we have reflected this below. The subsequent pages in this document detail the conclusions of our audit work in response to these risks.

Throughout the audit, we have considered our initial observations and discussions with you surrounding risk and the likelihood of misstatement at the financial statement level, as well as the magnitude/impact these may have on the financial statements. The most significant identified risks will have both a high level of likelihood (and/or complexity) and a high level of impact on the financial statements. We have highlighted these on the below risk heat map and updated as necessary since our Outline Audit Strategy initially presented to you. Our audit conclusions in response to these risks are detailed on the following pages and are categorised as significant and elevated risks. All other risks are considered normal risks and are tested in accordance with the International Standards on Auditing (ISA).



Significant and elevated risks	
1	Future plans and going concern
2	Fraud in relation to revenue recognition
3	Management override of controls
4	Income and expenditure – allocation
5	Financial reporting
6	Payroll – accuracy, occurrence and completeness
7	Pension scheme liability - valuation
8	Regularity
9	Fixed assets – existence and completeness
10	Creditors – cut-off
11	Related party transactions

Significant risks

The significant audit risks identified at the planning stage are set out below, together with the results of our testing:

	Audit area and key risks as presented	Our approach as presented	Resolution
1	<p>Future plans and going concern</p> <p>The Trustees will need to consider whether the Academy Trust will be a “going concern”, giving consideration to at least 12 months from the date of approval of the accounts (i.e. to 31 December 2025).</p> <p>Going concern is defined as being able to continue in ‘operational existence’ for at least 12 months from the date of signing the financial statements.</p> <p>As per Going concern – ISA 570 (Revised 2019), there is a requirement to document robust challenge of management’s assessment of going concern, including the obtaining evidence regarding, and to conclude on, whether a material uncertainty relating to going concern exists. We also need to perform a final consideration of all evidence obtained relating to going concern.</p> <p>As per the revised ISA 570, our standard audit report will provide a positive conclusion on the appropriateness of the going concern basis and whether material uncertainties exist.</p>	<p>The Trustees will need to demonstrate that the Academy Trust is operating within its financial limits and has sufficient resources to continue to do so. We will review the Academy Trust’s financial forecasts, including three year forecasts, to ensure the assumptions are reasonable.</p> <p>If a net deficit has been identified, we will review and discuss your plans to mitigate this position.</p> <p>As part of our going concern review, we will review the Academy Trust’s financial forecasts, in particular energy costs, future salary levels in view of inflation rates, and significant exposure of suppliers, supply chains or contracts (if applicable).</p> <p>We are also required to describe our work on going concern in greater detail within our audit report.</p> <p>There is a “stand back” requirement for auditors to undertake at the end of our audit work, hence this may result in further queries related to going concern near to audit completion.</p>	<p>Audit work performed as planned – no exceptions.</p>

Significant risks (continued)

The significant audit risks identified at the planning stage are set out below, together with the results of our testing:

	Audit area and key risks as presented	Our approach as presented	Resolution
2	<p>Fraud in relation to revenue recognition</p> <p>This is a key audit matter as defined in ISA 701 and will be addressed specifically in our auditors' report.</p> <p>Incoming resources:</p> <p>Auditing standards require us to presume that the risk of fraud in revenue recognition is a "significant audit risk", unless this presumption is specifically rebutted.</p> <p>There is significant grant funding received by the Academy Trust in addition to General Annual Grant (GAG) funding</p>	<p>We will consider the risk of fraud in all income areas including where required, an assessment for income recognition for each material income stream:</p> <ul style="list-style-type: none"> • Completeness (has all income been included in the accounts); • Recognition (this considers three criteria of: "probability" (e.g. more likely than not), "entitlement" and "measurement"); and • Fund accounting (are there restrictions on use and are these correctly recorded). <p>The "recognition" aspect draws upon three main criteria of "probability", "entitlement" and "measurement".</p> <p>Other income should be recognised as restricted income where appropriate, and in accordance with Charities SORP (FRS 102) and the funding agreement.</p>	<p>Audit work performed as planned – no exceptions.</p>
3	<p>Management override of controls</p> <p>In order to comply with the ISAs, we are required to consider the risk of the potential risk associated with management overriding controls.</p>	<p>We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:</p> <ul style="list-style-type: none"> • Understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, and testing the appropriateness of a sample of such entries and adjustments; • Reviewing accounting estimates for biases that could result in material misstatement due to fraud; and • Obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of operations or that otherwise appear to be unusual given our understanding of the Academy Trust and its environment. 	<p>Audit work performed as planned – no exceptions.</p>

Other key risks



	Audit area and key risks as presented	Our approach as presented	Resolution
4	Income and expenditure - allocation The Trustees are responsible for ensuring that income to and expenditure from restricted funds is correctly allocated. We will review the allocation of income and expenditure of restricted and unrestricted funds; ensuring restricted funds are used for the purposes intended.	We will test grant income to ensure correct allocation. Furthermore, we will substantively test expenditure to ensure that the costs are bona fide and have been authorised in accordance with the Academy Trust's controls and procedures.	Audit work performed as planned – no exceptions.
5	Financial reporting There is a risk that the respective Trustees' Report and financial statements are not fully compliant with the Charities SORP (FRS 102) and the Academies Accounts Direction 2023 to 2024, or are materially misstated through errors in their compilation.	We will review the Trustees' and Strategic Reports for consistency with the financial statements and to ensure they comply with applicable regulatory (Academies Accounts Direction 2023 to 2024) and SORP requirements.	Audit work performed as planned – no exceptions.
6	Payroll – accuracy, occurrence and completeness Salary costs are the largest item of expenditure of the Academy.	We will review payroll data to ensure it is accurate and complete and that all payroll liabilities are included. We will also review the Academy Trust's reconciliation of payroll records to the accounts and perform substantive testing to provide assurance that payroll deductions and calculations are accurate and have been recorded within the accounts. For higher paid employees and key management personnel care is needed to ensure appropriate disclosures are made.	Audit work performed as planned – no exceptions.

Other key risks



	Audit area and key risks as presented	Our approach as presented	Resolution
7	Pension scheme liability There is a risk that the respective Trustees' Report and financial statements are not fully compliant with the Charities SORP (FRS 102) and the Academies Accounts Direction 2023 to 2024, or are materially misstated through errors in their compilation.	<p>We will review the actuarial valuation for the Academy that has been presented by the actuary. We will complete review procedures on the estimates to determine our reliance on this work. We ensure that the Academy checks the data which has been provided for the actuarial report and we consider the relevance of the assumptions used by the actuary in preparing the 2024 valuation.</p> <p>We will check the pension disclosures in the financial statements to ensure these reflect the assumptions used.</p> <p>We will review the criteria for recognising a pension asset, if applicable in the current year, to determine whether these conditions are met.</p>	Audit work performed as planned – no exceptions.
8	Regularity The ESFA have highlighted in the Academy Trust Handbook their Schedule of Requirements (the 'musts') that are an essential obligation for all Academies.	<p>Within the audit deliverables we shall include a summary of these 'musts' for your attention. We ask that you review this list and consider whether the Academy Trust has given due regard to these requirements.</p> <p>We shall consider your answers and evidence as part of our audit work. Therefore, it is good practice for there to be trustee/finance committee consideration of these responses.</p>	Audit work performed as planned – no exceptions.
9	Fixed assets – existence and completeness The risk that assets are incorrectly included in the financial statements	<p>We will review assets that have been expensed to ensure the accounting policies have been applied correctly and that the capitalisations in the year are complete. We will test the existence of fixed assets, on a sample basis, to gain comfort that the assets recorded in the fixed asset register are valid assets owned and used by the Academy Trust.</p>	Audit work performed as planned – no exceptions.

Other key risks



	Audit area and key risks as presented	Our approach as presented	Resolution
10	Creditors – cut-off The risk that liabilities are incomplete.	<p>We will test trade creditors and accruals to ensure that the balances are valid, accurate and complete. These balances will be tested as at 31 August 2024 to ensure no cut-off issue is present. Tax liabilities and other creditors will be reviewed and verified to supporting documentation. We will consider whether possible capital works and / or contingent liabilities around the year end need to be accrued and consider the disclosure of contingent liabilities.</p> <p>We will check if any provisions are required for clawbacks of income and whether these should be reflected in the accounts if material. This will be performed in tandem with our income testing.</p> <p>We shall also consider income recognition policies for income arising from capital grants such as the pupil funding relating to universal infant free school meals and ensure creditors and accruals in relation to such grants are reflected in the financial statements.</p>	Audit work performed as planned – no exceptions.
11	Related party transactions In order to comply with ISAs, we are required to consider the risk of fraud through related party transactions and our audit planning and detailed work will address the fraud risks arising from related party transactions..	<p>We will make enquiries as to the identity of related parties in respect of the Academy, and the systems to identify and record related party transactions including reviewing any related party declarations prepared and signed by the trustees.</p> <p>This means that the Academy should have a comprehensive list of all related parties, and details of all transactions with them.</p> <p>The definition of who comprises a “related party” now also includes these considered to be “key management personnel”. We will also look to identify any significant transactions outside the course of businesses – we are not expecting this to be an issue but will need to undertake specific procedures if these are in fact identified.</p>	Audit work performed as planned – no exceptions.

Financial statements



We are required by ISAs to make certain communications you as set out below:

Aspect of financial statements	Conclusions
Accounting policies and financial statement disclosures	The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Academies Accounts Direction 2023 to 2024 issued by the Education and Skills Funding Agency and the Statement of Recommended Practice for Charities.. As part of our audit work, we have reviewed your draft financial statements including the accounting policies which we found to be appropriate and have been applied consistently.
Key accounting estimates	<p>As auditors, we are aware that the selected basis of an accounting estimate may have a significant impact on the financial statements so in our work we need to identify all accounting estimates and the basis of the estimate and, where we consider there to be a high estimation uncertainty, we must ensure our audit work challenges the basis of the estimate.</p> <p>We are also required to consider the outcome of accounting estimates in prior periods as a basis for our risk assessment in the current year.</p> <p>In the Trust's accounts, the most significant accounting estimates concern:</p> <ul style="list-style-type: none">• Useful life/depreciation rate of property, plant and equipment• Local government pension scheme valuation <p>We have reviewed the accounting estimates for the Trust and conclude that they have been calculated on a basis that is consistent with our knowledge of the Trust and expectations.</p>
Audit report	There are no expected modifications to the audit report(s) and we do not intend to include either an 'emphasis of matter' or 'other matter' paragraph
Other matters we are required to report to you	There are no other matters that we need to report to you

Adjusted items



This is a summary of the adjustments made to the financial statements during the course of our work.

	Balance sheet		Profit and loss account	
	Dr	Cr	Dr	Cr
Being the LGPS pension journal including Actuarial Gain	5,000	-	-	(5,000)
Being the adjustment to reverse accrued expenditure in relation to works on the CIF roofing project which carried out after the year-end	51,706	(51,706)	-	-
Total	56,706	(51,706)	-	(5,000)

Increase / (decrease) in funds	5,000
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Unadjusted items



This is a summary of the uncorrected misstatements identified during the course of our work. As noted above, you will be asked to confirm via a letter of representation that you do not consider it necessary to adjust them as they are immaterial, individually and in aggregate. Those below the threshold of £2,200 will not be included in the letter of representation.

	Balance sheet		Profit and loss account	
	Dr	Cr	Dr	Cr
Being the impact of the prior year proposed adjustments on opening balance of reserves (mainly support staff accrual of £19,556)	22,328	-	-	(22,328)
Being the proposed adjustment in relation to the support staff bonus accrual back dated to April 2024	-	(8,444)	8,444	-
Total	22,328	(8,444)	8,444	(22,328)

Increase / (decrease) in funds	13,884
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Regulatory issues



Where we have identified areas of irregularity, but have concluded that the irregularity is not material by virtue of the value or nature of the issue, this has been included in the summary tables below, in order for the Education and Skills Funding Agency to have full information relating to all regularity issues, enabling them to draw an overall conclusion on regularity in the Academy Trust.

	Regulatory issue	Significance and recommendation	Trustees' response	Timescale and responsibility for implementation
1	Members also on the board of trustees It was noted that all 4 members of the academy trust are also trustees. Per the Academy Trust Handbook under section 1.6, the department's strong preference is that the majority of the academy trust members should not also act as trustees of the academy trust. The implication here being that the members are not independent from the trust board.	We would recommend that Hadrian Academy Trust ensure the majority of members do not also act as trustees for the academy trust in order to meet the recommendation as provided in the Academy Trust Handbook.	To be considered at AGM	Feb 25

Control deficiencies and recommendations



We have set out below significant deficiencies in internal control which came to our attention during the course of our audit work, as defined by ISAs. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

We did not identify any material deficiencies or weaknesses in the operational effectiveness of internal controls to draw to your attention from our audit work.

Prior period matters and status

We have summarised how we followed up on the matters identified in the prior period as follows

	Prior period matter	Follow up in current year	Trustees' response	Timescale and responsibility for implementation
1	Members also on the board of trustees It was noted that all 4 members of the academy trust are also trustees. Per the Academy Trust Handbook under section 1.6, the department's strong preference is that the majority of the academy trust members should not also act as trustees of the academy trust. The implication here being that the members are not independent from the trust board.	<p>We would recommend that Hadrian Academy Trust ensure the majority of members do not also act as trustees for the academy trust in order to meet the recommendation as provided in the Academy Trust Handbook.</p> <p>The school business manager has suggested that there might be members who would like to relinquish their role of trustee and continue to act as members only on behalf of the academy trust.</p>	See current year response	

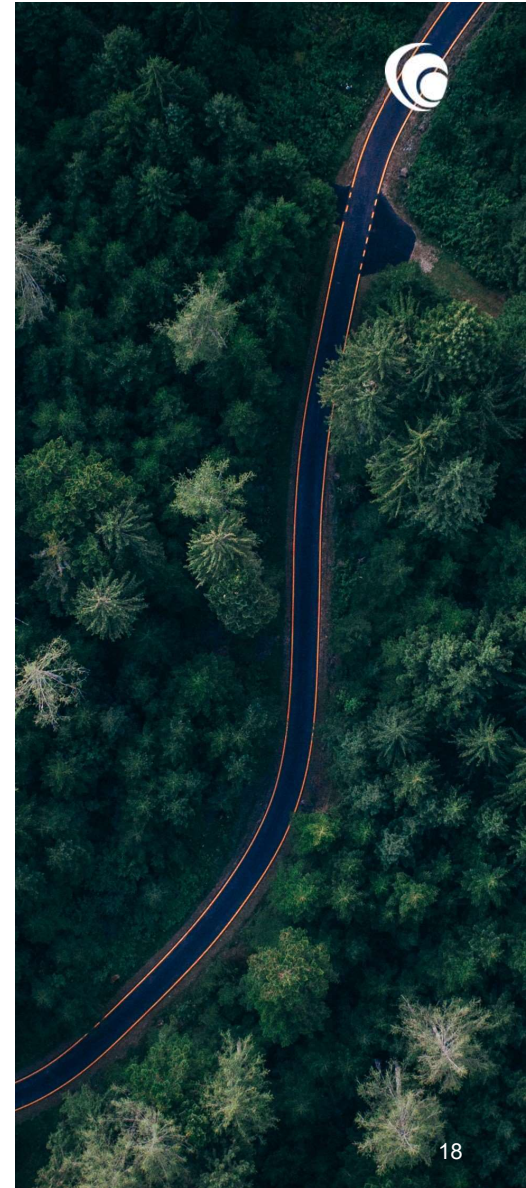
Written representations

As part of our completion process, we will ask you to provide a letter making certain representations to us including that:

- You have fulfilled your responsibilities in respect of the preparation of the financial statements including that they reflect all transactions and any assumptions in respect of estimates made are reasonable;
- We have had access to all relevant information, books and records;
- Individual and aggregated unadjusted misstatements are immaterial;
- You have disclosed any non-compliance with laws and regulations/ litigations and claims to us and that they have been accounted for appropriately; and
- Any relevant post-balance sheet event adjustments/ disclosures are properly included in the financial statements.

Additionally, we will request representations on certain matters in respect of fraud and related parties and:

- You have reviewed and approved the adjustments shown on the schedule of adjusted items.





Communication plan

As we noted in our Outline Audit Strategy Document, ISA 260, ISQM (UK) 1* and certain other ISAs specify the communications we are required to make and we have summarised these as follows:

Required communications	Audit Approach Memorandum	Audit Findings Report
The respective responsibilities of the auditor and management/ those charged with governance	✓	
An overview of the planned scope and timing of our audit, including the significant risks we have identified	✓	
Significant facts and matters that may bear upon our integrity, objectivity and independence	✓	✓
Non-compliance with laws and regulations	✓	✓
Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern	✓	✓
Our views about significant qualitative aspects of your accounting practices, including accounting policies, accounting estimates and financial statement disclosures		✓
Any significant matters arising and/ or significant difficulties encountered during the audit		✓
Uncorrected misstatements the effect they may have on the opinion on our report		✓
Significant deficiencies in internal control identified during the audit		✓
Circumstances that will affect the form and content of our report, including modifications to the auditor's report or the inclusion of an emphasis of matter paragraph		✓
Identified or suspected fraud which results in a material misstatement of the financial statements and whether it involves management		✓
The written representations we are requesting		✓

In addition, we maintain other such timely communication as required throughout the audit to ensure there is robust two-way dialogue between us and those charged with governance, particularly if we encounter any significant difficulties during the audit.

* International Standard on Quality Management (UK) 1: Quality Management For Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

Confirmation of independence and objectivity



In line with the FRC's Revised Ethical Standard 2019, as part of our audit planning procedures we are required to assess any threats to our integrity and objectivity, including any which could impair our independence. Where such threats are identified, we are required to implement safeguards which will either:

- Eliminate the threat; or
- Reduce the threat to level at which independence is not compromised.

We have identified the following potential threats and have outlined how we plan to guard against them:

Non-audit services	
Threats	Safeguards
Preparation of statutory financial statements from Academy trial balance	Preparation of statutory financial statements from the Academy trial balance is considered to be a mechanical function presenting the Academy's results for the period to 31 August 2024 into the required format. Any adjustments to the figures will be made following discussion and approval by the Academy. The process of preparation of the financial statements is reviewed by an MHA independent manager prior to completion; OR The preparation of the statutory financial statements from the Academy trial balance is carried out by a separate team with a separate manager.
Certification of the Teachers' Pension return	The completion of the TPA return does not affect our statutory audit work
Provision of general advice/VAT advice as required	General advice and assistance with accounting queries during the period is not considered significant for this Academy. VAT advice is provided by our VAT experts who are independent of the audit team.
Preparation of corporation tax computation and CT600 return	The completion of the taxation computation and other corporation tax compliance is carried out by a separate tax team.
Preparation of Academies Accounts Return	Assistance with preparation of the Accounts Return is a mechanical function derived from the statutory accounts and following discussion with the Academy Trust.

We must assess all non-audit services provided to you by us as auditor, in addition to the annual audit, where these may heighten the threat of self-review during our audit work. Where cumulative non-audit fees exceed 100% of the annual audit fee, these are flagged internally and safeguards put in place, as detailed above. Significant threats may leave us no option but to resign from the non-audit service or the annual audit itself. In addition, all of our partners and staff are required to make annual declarations about their independence and 'fit and proper status'.

We consider that appropriate safeguards are in place to address the threats to our independence. We confirm that MHA and the engagement team are independent and that our integrity and objectivity are not impaired. Please be advised that, under the ethical standards of audit, prior to approval of the financial statements, all outstanding fees must be settled in full.

This memorandum has been prepared by MHA in connection with the audit of the financial statements of Hadrian Academy and has been prepared solely for the benefit of this/ these organisations MHA neither owes nor accepts any duty of care to any third party and shall not be liable for any loss, damage and/or expense which is caused by any reliance that any other party may place on this information.

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of the Charity. The work we have done was not primarily directed towards identifying weaknesses in the Trust's accounting systems other than those that would affect our audit opinion, nor to the detection of fraud.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all weaknesses that may exist or improvements that could be made.

To a certain extent the content of this paper comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership, registered in England with registered number OC312313. A list of partners' names is open for inspection at its registered office, 201 Silbury Boulevard, Milton Keynes MK9 1LZ.

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Now, for tomorrow