

University of Liverpool Maths School

Audit Findings Report

Period ended 31 August 2021

Issued 17 August 2021



Reporting to you.

We have pleasure in submitting our report to The Board of The University of Liverpool Maths School ("ULMaS"), to set out the findings from our audit of the statutory financial statements of the School for the period ended 31 August 2021. 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 School'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.

Vicky Szulist

Senior Statutory Auditor
Crowe U.K. LLP

Please note that this report is prepared solely for the Members and Officers of ULMaS 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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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 ULMaS,

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
4	Post year end Board minutes	Low
6		
7		
8		

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

COVID19 – limitations on our work

To complete our audit this year we have worked with your management team to establish any lessons learnt from Covid-19 – for example adapting our communication methods or adapting a 'hybrid' audit approach. We have continued to move some of our audit processes to be on-line and remote, but ensured that we have had direct access to your premises, staff and on-site records where possible.

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.



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 Letter.



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	Audit risks We have identified the following as significant and other audit risks: <ul style="list-style-type: none"> Completeness of grant and other income Management override of controls Going concern assessment – COVID19 impact Regularity Compliance with COVID19 expenditure guidance, additional grant claims, Payment Procurement Notices and the 2021 Supplementary Bulletin
	Going concern Budgets have been prepared to cover next five years which show a small deficit in year two. Because student numbers are projected to be only 69 in September 2022, management of funds may be necessary to meet the cost of occupancy in the permanent building but the current budget does not take into account a number of potential further donations which should mitigate this risk.
3	COVID19 The school adapted to the COVID19 situation and took necessary steps to create a safe working environment. We have reviewed the impact on the control environment and going concern assessment as part of our work, which appears to have been minimal. The ability of the school to recruit numbers to the school were impacted during COVID but now the school can do so it is growing its student numbers by formats such as taster days which are showing increases in registrations
	Restricted vs unrestricted funds We have been unable to clarify restrictions attached to the donations income through the documentation provided in order to agree the allocation between restricted or unrestricted. We have classed all as restricted based on discussions and will request confirmation of this in our letter or representation
4	

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 propriety reporting? ✓

Misstatements and adjustments.



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 **£1,000** to remain appropriate.

Summary of adjustments	Profit/(Loss) £	Assets £	Liabilities £	Reserves £
Draft financial statements	240,408			
Total adjustments arising throughout the audit	(218,957)	89,185	83,669	224,473
Revised result per final financial statements	21,451	89,185	83,669	224,473

Summary of unadjusted misstatements	Profit/(Loss) £	Assets £	Liabilities £	Reserves £
Final financial statements (above)	21,451			
Total potential adjustments	4,427	(244)	(4,671)	
Potential result and position if processed	25,878	(244)	(4,671)	-

Systems and controls items relevant to the audit	Significant deficiencies*	Other systems points
Number of current year items	1	3
Number of open items from prior year audit findings		
Number of cleared items from prior year audit findings		

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

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 ULMaS 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 requirements of the Academy Accounts Direction, financial statements themselves and the information presented to us throughout our audit work.

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. The key significant accounting estimates and judgements made by management that we have identified for specific audit review are:

- The present value of the Local Government Pension Scheme defined benefit liability;
- ...

We have no issues to report – 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 appropriate and disclosures relating to going concern are adequate.**

Key elements of our work included:

Discussions with The Board and management

Satisfactory – no significant items to note



A review of the budget to 31 August 2022 – understanding assumptions made, impact on cash and impact on funds carried forwards

Satisfactory – no significant items to note



A high level review of the 3 year budget forecast submitted to the ESFA to 31 August 2024

Satisfactory – no significant items to note



Consideration of your assessment of sector 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 The Board and management are required to make an assessment of the School's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, the 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 **there are no material uncertainties in respect of the going concern assumptions** We agree with this assessment.

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 organisation, 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. This has been considered in more detail on the next page. We also consider whether there is evidence of any significant transactions arising outside of the normal course of business.

Crowe comments

- We note that due to the size of the finance function, there is no authorisation process in place for journals posted to the accounting system. We have raised that as a system weakness. We have not found any issues with our tests of journals made.

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 – significant accounting estimates and judgements

As noted in our audit planning report, a revised auditing standard, ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures, effective for accounting periods commencing on or after 15 December 2019, is applicable for the current year, and required additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

Significant accounting estimates and judgements made by management that we have identified for specific audit review:

- the assumptions adopted by management and used by the actuary to calculate the pension liability;
- the assumptions relating to income recognition and cut-off

It is worth noting that the estimates involved in the estimates used by the actuary to calculate the pension liability carry a significant amount of estimation uncertainty which is mitigated by the use of management experts. The balances in question, whilst material, are not considered critical to the financial statements of the trust, nor are they particularly sensitive or contentious.

Crowe comments

- We have compared rates used in the actuarial valuation of the pension liability to those used in other valuations and these appear reasonable – see next page
- We have reviewed the documentation and made enquiries of management in respect of income and its recognition and have no matters to report..

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

Local Government Pension Scheme



The assumptions adopted by management and used by the actuary to calculate the pension liability:

Management use experts to value the local government pension scheme deficit. We perform:

- a) benchmarking of the assumptions used compared to the wider sector and other similar clients; and
- b) we also ensure that the employers pension contributions reconcile back to the employers' pension costs recorded in the statutory accounts as a means to check that the data being used by the Actuary is reasonable.

The additional substantive work carried out on the experts assumptions mitigates the risk of material misstatement inherent in the estimate.

Our findings on the two areas of substantive work are noted on the following page.

Audit findings - Significant audit risks.



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): a) Benchmark of assumptions



We reviewed the actuary assumptions against other academies of similar size to ensure that the assumptions used by the actuary appear reasonable.

Assumption	ULMaS	Average
Discount Rate	1.7%	1.67%
Inflation (CPI)	2.8%	2.84%
Life expectancy – male, 65	22.6	21.48
Life expectancy – female, 65	26.0	24.09

- We have nothing to bring to your attention and confirm that the assumptions for ULMaS fall within the ranges seen of other Trusts.

Local Government Pension Scheme (LGPS): b) Reconciliation of employers contributions



We have compared the total employer's contributions made by the trust during the year to that advised by the Actuary as part of the closing actuarial valuation.

Total employers contributions (including lump sum payments) paid by the trust amount to £14,499 compared to £14,000 advised by the Actuary. The difference is £499. This is considered to be trivial to the trust's financial statements and to the total LGPS pension deficit and is due to the fact the valuation is produced in round thousands

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 ULMaS.

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 censuses 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

We made corrections to the income recognised in the trial balance provided for audit for the following

- To recognise capital grant / restricted fixed asset funds bfwd
- To correct mis-posting of GAG clawback accrual
- To unwind capital grant income receipts in period against 2020 brought forward accrued income
- To remove incorrect deferred income posting for DFE lease grant
- To correct opening balances from 2020 accounts
- To reverse prior period GAG deferred income
- To post August's PAYE and pension to creditors, when client has classified them as reconciling items in the bank reconciliation as they were paid in September. Same problem occurred in 2020.
- To recognise the gift aid element of a donation

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 all internal scrutiny reviews conducted; 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

Overall the results of our audit work were satisfactory and we have no specific matters to bring to your attention

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 Board 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 Board 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

- Overall the results of our audit work were satisfactory and we have no specific matters to bring to your attention.

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 the July 2021 supplementary bulletin

Guidance has been released by the DfE throughout the COVID-19 pandemic to ensure that Trust's act in a manner that does not misappropriate public funds and maintains the value for money statement. As in the previous year additional requirements to the Academies Accounts Direction have been issued in the form of a supplementary bulletin which the trust must comply with.

The key areas considered are:

- Procurement policy note (PPN) 04/20
- Trustee Report disclosures
- Impact of COVID-19 on governance arrangements
- Additional financial support available
- Accounting for laptops and other devices

Key elements of our work included:

- 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.
- We have reviewed disclosures in the Trustee Report and Governance Statement in line with the requirements of the supplementary bulletin.
- 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.

Crowe comments

- Overall the results of our audit work were satisfactory and we have no specific matters to bring to your attention.

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”) 2020-21



There have been some changes in this year’s version of the Academies Accounts Direction that must be adhered to. We have summarised the key changes that have impacted the financial statements of all trusts across the sector.

Key changes this year include:

- Updating the requirements of the financial review provided in the Trustees Report;
- Introduced a requirement to disclose a Financial Notice to Improve where one has been issued in the year;
- Clarified that where an “off-payroll” arrangement has been entered into with someone who is not an employee, the amount should be included in the staff cost disclosure note;
- Clarified which sub-heading funding sources should be shown in, to ensure consistency between the statutory accounts and the AAR;

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 2021. The value of the liability at the year-end is £22,000.

The performance of scheme assets during the year to 31 August 2021:

- 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 2021. The return on assets during the period was £2,000.

The price of corporate bond yields as at 31 August 2021:

- Over the same period the market volatility extended to corporate bonds, but ultimately the yields on AA-rated corporate bonds as at 31 August 2021 have settled at around 1.7% per annum which is broadly similar to the start of the accounting year. As the discount rate for accounting purposes is based on corporate bond yields, there has been little impact on accounting liabilities.

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.

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.



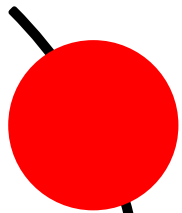
- Donations in the year recorded as restricted income, including money earned through the sale of hoodies/PE Kit. Suggest this is trading income but is trivial at £450
- Creditor amount of £11,484 owed to University of Liverpool remains unpaid from 2020. University of Liverpool deem amounts owed to them to have already been settled in full. This has therefore been written off in this years financial statements
- Other creditors balance of £9,766 had not moved. We would have expected that the other balances would have been cleared in the year. We have raised a potential adjustment to correct. After discussion at the audit clearance meeting this has not been adjusted as it is not material.
- VAT – no claim was made in the prior year. We calculated that this would amount to a claim of c. £22k. We understand that a retrospective claim for £6,690 has been made in September 21. This has now been reflected in the accounting records. The difference is we understand due to lack of documentation to enable further claims to be made.

Systems and controls.

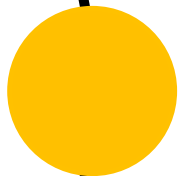
Systems and controls.

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.

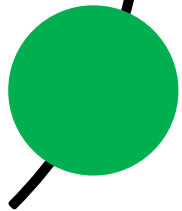
Our evaluation of the systems and controls relevant to the preparation of the financial statements of ULMaS was carried out for the purposes of planning and executing our audit of those financial statements. Accordingly, it is not intended to be a comprehensive review or opinion of the organisation's 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	<p>Trial balance The trial balance provided for audit had a number of errors and omissions which were corrected as part of the accounts and audit process. These included corrections for</p> <ul style="list-style-type: none"> opening balances not agreeing to last years final accounts and/or not being correctly reversed omitted liabilities omitted assets depreciation charges not included GAG clawback posted the wrong way round payments made post year end which had been posted into the current year <p>Whilst there was improvement on prior years there were more adjustments required than would be expected.</p>	<p>We would recommend that all audit adjustments are posted and opening balances are checked and agreed to the final signed accounts</p> <p>We would recommend that at the year end a hard year end close process is undertaken next year whereby</p> <ul style="list-style-type: none"> Debtors and creditors are reviewed for accuracy and provisions included for omissions identified Income is reviewed for completeness and cut off errors Expenditure by income stream is identified Unspent reserves are identified 	<p>During the 21/22 FY we will introduce cost centres to track spending from each income stream.</p> <p>At the end of the 21/22 FY we will operate a hard close on the accounts ensuring that all creditors submit a year-end invoice which is paid within the FY.</p> <p>We will also set aside reserve funds for allocated purposes</p>
High	<p>Journal process The system allows for journals to be posted and authorised by the same person with no formal review process in place for journals being posted into the system.</p>	<p>We would recommend oversight procedures are put in place</p>	<p>We will instigate a system where the journals are printed and reviewed at each Finance Audit and Risk meeting.</p>

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	Income Recognition of grant income was not in line with SORP. We recommend that the finance team consider the terms of each grant and apply the correct recognition policy.	Partial	Whilst there were still some errors and omissions on the recognition of income the majority of this years income was recognised in accordance with the SORP
	Accounting for wages The wages, PAYE and pension are all posted to one balance sheet nominal on Access. We suggest these are split out on the system to enable the balances outstanding to be tracked accurately, properly reconciled on a monthly basis and to be correctly split out in the financial statements.	Clear	No issues on this in 2021
	It has been noted in our payroll reconciliation that the net pay has been posted to the gross pay nominal in the p&I, whilst PAYE/EE NI have been posted to ER NI nominal. The correct figures to be posted are the gross pay and the ERs NI/pension, with the PAYE deductions and net pay to be posted to the balance sheet as a liability		
	Missing invoices Support for payments was not always easily obtained and much of the time the finance team had to go back to University of Liverpool for copies and further details of payments made on its behalf. This would imply that The University of Liverpool was reimbursed for the balance due without a formal process whereby the ULMaS team had ensured the completeness, accuracy and validity of all expenditure. We understand that a former staff member did validate all expenditure at the time of it being made but it would appear that no one maintained a file of supporting detail for each payment listed. In addition, on auditing the recharges Crowe identified errors in these which understated the costs by in excess of £10k Whilst this system was unique to these pre- opening period before ULMaS had its own funds and procedures the lack of control, collation of documentation and review and reconciliation of the costs recharged during the formalising of these payments into the accounting records of ULMaS does suggest a lack of ownership over the accounting records in the period.	Clear	No issues on this in 2021

Systems and controls – prior year findings.

Prior year Priority	Audit finding prior year	Action taken?	Update
Med	Accounting records The trial balance provided for audit was incomplete and many transactions were omitted or misposted and with the exception of the bank balance, year end balances were not reconciled.. As a result accounting adjustments were made to: <ul style="list-style-type: none"> • Remove period to August 2019 postings from the TB • Accrue the 2020 audit fee • Correct the misposting of payroll to bank account instead of PAYE creditor of £6k • Recognise a prepayment of £2,500 re annual subscription • Correct £10k error in payroll recharges from University of Liverpool • Capitalise £16k IT additions posted to expenditure • Calculate and post depreciation on the above • Correct VAT mis-posted as claimable • Recognise travel expenses not posted • Post August credit card expenses omitted from TB • Accrue for the full IT grant • Defer £8k of GAG paid in advance • Accrue website costs of £2500 We appreciate that some of this was due to a change in personnel responsible for the accounting records and the subsequent impact of Covid. We recommend that now there is a stable team in place, the trial balance is reconciled each month by the finance manager and reviewed by the Accounting Officer.	Partial	Improved on prior year but raised again in current year points
	Trustee appointments 5 Trustees appointed on 11 May were recorded on forms sent to Companies House as being appointed on 1 June 2020.	Clear	

Summary of adjustments.

Summary of adjustments - Trust.



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

Summary of adjustments	Surplus/ (Deficit) £	Assets £	Liabilities £	Reserves £
Result per draft financial statements	246,408			
Depreciation not charged	(11,966)	(11,966)		
Late adj - clawback of GAG and over payment of pension	(92,154)		92,154	
Income posted in year accrued in prior year	(129,572)	(129,572)		
Remove deferred income incorrectly accrued	11,000		(11,000)	
FRS102 pension adjustment	(22,000)		22,000	
Write off balance due to Liverpool University	11,484		(11,484)	
Recognise Gift Aid on donation	6,250	6,250		
Release 2020 deferred GAG income	8,001		(8,001)	
BF reserve not recognised		224,473		224,473
Total adjustments agreed and processed by management	(218,957)	89,185	83,669	224,473
Revised result per final financial statements	27,451			224,473

Summary of **unadjusted** misstatements – Trust.



Unless clearly trivial in size or nature, we report to you all misstatements which we identified as a result of the audit process but which were **not adjusted** by management.

Summary of unadjusted misstatements	Surplus/ (Deficit)	Assets	Liabilities	Reserves
Group summary by entity	£	£	£	£
Result per final financial statements	27,451			
VAT debtor not recognised	6,690	6,690	1	
Creditors b/f not released	2,832	(6,934)	(9,226)	
Purchase invoices not accrued	(6,345)		6,345	
Website costs accrued twice	1,250		(1,250)	
Potential adjustments	4,427	(244)	(4,130)	-
Potential result and position if processed	31,878			-

Appendices

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 [Clientnamelong], prepared by management with the oversight of the [DirectorsMembers], 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 Letter, in our professional judgement, there are no relationships between Crowe U.K. LLP and ULMaS, 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 Letter 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 2020 to 2021
- Academies Financial Handbook 2020
- 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 not 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 School's state of affairs at 31 August 2021 and its result for the year then ended. Our audit report will be addressed to the members of [Clientnamelong].

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 School 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 ULMaS. **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 in 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 surrounding 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 Letter, **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 ULMaS**. 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 ULMaS 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 [DirectorsMembers] when the financial statements are approved.

- The [DirectorsMembers] acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The [DirectorsMembers] have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The [DirectorsMembers] 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 [DirectorsMembers] 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.

