

Buzzacott

Post Audit Report

Kite Academy Trust

Year ended 31 August 2024



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Executive summary

Purpose of the external audit

Our work was performed with a view to expressing an opinion on the financial statements of Kite Academy Trust (the Academy Trust) for the year ended 31 August 2024 and to draw a limited assurance conclusion concerning regularity and propriety in the application of government funding.

Our audit work also included consideration of the internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those that were identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance and/or to the Education and Skills Funding Agency (ESFA) in accordance with their requirements.

We appreciate that you will already be aware of some of the matters contained in this report. However, in accordance with the ESFA's requirements and International Standards on Auditing (UK) (ISAs) we are communicating them to you formally.

This report and its contents were submitted in draft form to Jeremy Meeks (Chief Executive Officer) and Jane Coleman (Director of Finance) for comment prior to finalisation.

Audit progress

We are pleased to report that the audit, from our perspective, ran smoothly and that the timetable for the overall completion of the audit has been met. We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Jane Coleman.

Expected opinions

Subject to the satisfactory receipt of the outstanding items and confirmations as set out below, we intend to issue the following opinions:

Financial statements opinion:

We expect to express that in our opinion the financial statements give a true and fair view and have been properly prepared in accordance with the Academies Accounts Direction 2023 to 2024 issued by the ESFA, and Companies Act requirements.

Regularity assurance conclusion:

We intend to state that in the course of our work nothing has come to our attention which suggests that in all material aspects the expenditure disbursed and income received during the year ended 31 August 2024 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Key audit findings

Key audit issues and outcomes

As part of our pre-audit planning process, we identified those areas where we believe there is a higher probability that a material error may appear in the financial statements as well as areas of significant interest or concern for management and those charged with governance. In the pages which follow we have provided a brief summary of the original risks we identified as part of our initial planning discussions, as well as any changes since our initial planning, and the outcome of our audit work in relation to those areas.

Area	Issue and response
Financial climate, reserves policy and going concern assessment	<p>Risk: The current financial climate is challenging for the sector, particularly in the context of cost inflation, which is increasing the importance of carefully managing reserves and financial forecasting. The sector has experienced reductions in operating margins over the past two years, with the level of funding rising more slowly than the rate at which costs have increased.</p> <p>When approving the financial statements, the Trustees must consider whether it is appropriate for the financial statements to be prepared on the going concern basis and whether the disclosures in connection with the financial viability of the Academy Trust are adequate. The Trustees must therefore see financial information covering a period of not less than one year from the date of approval of the financial statements (i.e. to December 2025) in order to make their assessment of whether it is appropriate to prepare the financial statements on the going concern basis.</p> <p>The Academy Trust must disclose its policy on reserves within the Trustees' report including providing details on how the level of reserves set within the policy compares to the financial position at the balance sheet date.</p> <p>Results: The Academy Trust has prepared a going concern summary for approval by the Trustees which we have reviewed alongside supporting documents which include the three-year budget forecast return, post year end bank statements, funding remittances, payroll reports and student numbers. Total income for the year was higher than expected at £26.2 million due to a significant rise in capital grants of which £6.6m represented the donated market value of the new school at Lakeside, however the funding for the academy trust's educational operations was largely in line with the 23/24 budget.</p> <p>The policy of The Kite Academy Trust is to carry forward a prudent level of resources designed to meet its needs. The trust aims to maintain a minimum reserves balance of £500,000. Actual unrestricted funds as at 31st August 2024 were £793,000.</p>

Area	Issue and response
Wyke Primary School leaving the Trust	<p>We are satisfied that the trustees have given due consideration to the going concern status of the Academy Trust and we are in agreement with the conclusion made in light of the evidence provided. This is reflected within our audit report.</p> <p>We have reviewed the Trustees' Report together with the disclosures made in the governance statement and accounting policies and confirm that the requirements of the Academy Accounts Direction have been met.</p>
	<p>Risk: Risk: The Wyke Primary School was transferred out of the Academy Trust on 24 July 2024</p> <p>Assets and Liabilities, as defined by a transfer agreement and/or communications with the ESFA, that relate to Wyke at 24 July 2024 will be removed from the Academy Trust's balance sheet and shown as a transfer out. The transfer values adopted will be based on generally accepted accounting practice and the accounts Direction unless the transfer agreement requires modifications to be made.</p> <p>Results: We ensured that the income and expenditure of Wyke for the period 1 September 2023 to 24 July 2024 were reflected in the Academy Trust's statement of financial activities and the correct values for the LGPS pension scheme together with the net book value of the school's land and buildings had been correctly eliminated.</p>
Capital Project	<p>Risk: The Academy Trust commenced a new classroom build project at Holly lodge with an anticipated value of c£0.4m. Further capital projects were undertaken on IT, RACC repairs and a number of CIF bids were made.</p> <p>Given the significant financial value attached to the projects, it is important that the costs are correctly capitalised or expensed as appropriate. If it is envisaged that the work will be carried out over the summer, there is a further risk in relation to whether all relevant costs have been recognised in the correct accounting period and whether disclosures regarding any unaccrued capital commitments are complete.</p> <p>Results: We have reviewed the amounts expended in relation to the capital project and sample checked the expenditure to gain assurance over the accounting treatment. The amounts sample checked were considered capital in nature and the treatment was deemed appropriate. We also reviewed the repairs and maintenance expenditure for the year to identify potential costs expended on the project which may have been incorrectly written off. This review did not reveal any additional costs which should have been capitalised. We also reviewed cut-off, i.e. the financial period in which the expenditure has been recognised, and the disclosures made surrounding year end capital commitment.</p>

Area	Issue and response
Fund accounting	<p>Risk: Details of any restricted revenue funds as well as capital funds are reported within the notes to the financial statements. There is a risk that any unspent capital funds are not correctly captured within the fixed asset fund or that other restricted funds (e.g. Pupil Premium) are not correctly identified and reported within restricted revenue funds. If these restricted funds are not correctly reported, there is a risk that free reserves are therefore also not correctly reported and as a result the trustees could make decisions based in incorrect information about available funds.</p> <p>Results: We have reviewed the brought forward and carried forward reserves balances of each component academy within the trust, and checked that all movements are consistent with the Academy Trust's central records, the previous year's signed accounts and our expectations for the year end balances based on our audit work.</p>
Aggregation risk	<p>Risk: There is a risk that the aggregation process for the multi-academy trust is not accurate. Journals that are processed as part of the accounts preparation may not fully identify intra-school transactions and balances. As a result, debtors, creditors income an expenditure may potentially be misstated as a result within the aggregated figures.</p> <p>Results: We have reviewed the accuracy of the aggregation workings including the reconciliation of intra-Academy Trust and inter-group balances, ensuring transactions between individual schools, the central office are eliminated, and the appropriateness of other year end aggregation journals. No material concerns were noted.</p>

Area	Issue and response
Income recognition	<p>Risk: There is an inherent risk in all organisations in relation to revenue recognition, i.e. that income may be accounted for in the wrong period or at artificially inflated or suppressed amounts.</p> <p><i>We have assessed the primary material income streams of the Trust to include:</i></p> <ul style="list-style-type: none">• <i>Department for Education and ESFA grants;</i>• <i>Grants from local authorities, including special education funding;</i>• <i>Donations to the Trust;</i>• <i>Income from trading and linked activities including facilities hire, catering, school trips, nurseries and after school clubs.</i> <p>Results: We carried out detailed analytical review against expectations based on our understanding of the Academy Trust and against the prior year. Reasonable explanations were obtained from management and significant variances were substantiated as appropriate. Our audit testing and sample based checks including on our work on ESFA and non-ESFA income did not identify any issues to bring to your attention.</p> <p>The educational income streams of the Trust are detailed in Note 3 to the financial statements. In line with the ESFA Academy Accounts Direction this includes additional detail in 2024 and where appropriate comparative information has been re-analysed on an equivalent basis. Key new, or increased streams for 2024 include the Teachers' Pay Additional Grant (TPAG) and Teachers' Pension Employer Contribution Grant (TPECG), this is offset by pay rises and an increase in the percentage contribution of schools to Teachers' Pensions from 23.68% to 28.60% from April 2024.</p>

Area	Issue and response
<p>Regularity</p>	<p>Risk: Regularity and the use of government funding continues to be a substantial focus of the ESFA and National Audit Office. Ensuring regularity within the Academy Trust is the responsibility of the Board and all of the current focus on regularity in the academy sector has only increased the level of responsibility for the Board to monitor and document management of risk including the risk of irregularity. ESFA expects all academies to implement appropriate procedures and policies at all times, including during periods of school closure, which mitigate the risk of irregularity in (but not limited to) the following areas:</p> <ul style="list-style-type: none"> • Procedures and policies in relation to risk management and ensuring that these are regularly considered; • Procedures and policies in relation to general procurement, use of credit cards and expense claims; • Procedures and policies in relation to the appropriate remuneration of payroll staff, agency staff and consultants; and • Procedures and policies in relation to the management of conflicts of interest and related party transactions. <p>Results: The regularity self-assessment was provided for audit, which was completed by the Academy Trust’s finance team and reviewed by the Accounting Officer. The regularity self-assessment confirms the process in place to ensure regularity, propriety and compliance within the Academy Trust in relation to the above areas and the other requirements set out in the Academy Trust Handbook.</p> <p>The Academy Trust has not informed us of any material control weakness or irregularity. Based on our review of the self-assessment questionnaire, the work undertaken to verify the responses provided, and our consideration of the regularity and propriety of transactions selected for our sample based testing, we are satisfied that the conclusion reached in our regularity assurance report is appropriate</p>
<p>Related party transactions</p>	<p>Risk: In all organisations, there is an inherent risk that transactions with related parties could be undertaken on terms that benefit those who control the entity at the expense of other stakeholders or the entity itself. For this reason, UK Accounting Standards and the ESFA Academies Accounts Direction require transparent disclosure of all transactions and balances arising between the Academy Trust and its related parties. In addition, the ESFA Academy Trust Handbook places restrictions on the permissibility of certain related party transactions and required certain transactions to be reported to the ESFA in advance of being entered in to.</p> <p>Results: The Academy Trust’s procedures for identifying related parties and associated transactions were reviewed. This includes the requirement for each of the Trustees of the Academy Trust Senior Management Team to update their declaration of interests annually, and to declare any interests they have at the commencement of business meetings. Based on the work undertaken, we have no concerns over the completeness of related party transaction disclosures.</p>

Area	Issue and response
Management override of controls	<p>Risk: There is an inherent risk in all organisations that management may be in a position to override controls or agreed protocol. Such actions may be taken in order to conceal or process unauthorised or inappropriate transactions, or may occur due to weaknesses in the control environment. Such actions could lead to either deliberate or inadvertent misstatement of the results portrayed by the financial statements. The risk is greater this year given the change around in key finance personnel during the year, thus increasing the likelihood of agreed procedures not being followed due to unfamiliarity.</p> <p>Results: Journal entries were reviewed, particularly those surrounding the year end and explanations were sought for any large or unusual items. All items tested and discussed with management were deemed appropriate. No suspense accounts were noted as being used during the year.</p>

Area	Issue and response
Accounting estimates	<p>Risk: Certain accounting entries within the financial statements are made on the basis of an estimate and changes in the underlying assumptions could lead to a shift in the reported results. The most material estimates within the Academy Trust’s financial statements include the estimate of the useful economic life of tangible fixed assets (and hence the depreciation charges), and the estimation of the pension liability made by the actuaries in respect to the Local Government Pension Scheme.</p> <p>In addition, the new school at Lakeside (Mindenhurst) was transferred into the Trust in 2023/24 from Surrey County Council. As the new school was donated, the Trust is required to recognise the new asset at market value in the financial statements. Valuations are deemed to be an accounting estimate.</p> <p>Results: We are satisfied with the estimation techniques utilised. Testing of depreciation was satisfactory with all items tested being depreciated at the approved rate.</p> <p>Actuarial valuations for the LGPS pension schemes of which the Trust is a member were obtained at 31 August 2024. The Hampshire schemes were in a surplus/asset position of c£3,000 at the year-end, however of the Surrey pension schemes were, in aggregate, in a deficit of c£978,000, and management offset the surplus against the deficit of both schemes . However, while there is a strong argument for offsetting a surplus and deficit where the pension scheme is managed by the same administrators, there is no rationale for offsetting between differently administered schemes. We therefore have raised an unadjusted error of £3,000 and this is shown in appendix 1.</p> <p>The reason for limiting the recognition of the pension surplus/asset is given in FRS102 paragraph 28.22 that states “If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.”</p> <p>Management have determined that the Trust is not currently able to recover the surplus under the Scheme rules, as a refund of the surplus is only recoverable at the point of exit of the Local Government Pension Scheme. The Trust has no plans to exit the scheme and has therefore not recognised as asset or liability in respect of the Local Government Pension Scheme on the balance sheet.</p> <p>The assumptions used by the actuary appear reasonable</p> <p>The market value adopted for Mindenhurst of c£10.6m was provided by Surrey County Council. However, the valuation was on a freehold basis performed in 2021. The valuation basis may not be appropriate as the Academy Trust only holds a leasehold interest. We have raised an audit adjustment to eliminate the freehold land value of £3.89m (appendix 1) and made a recommendation to consider obtaining a valuation of the site on a leasehold interest basis in the future.</p>

Accounts format and compliance

The financial statements follow the principles and format prescribed by the ESFA in the Academies Accounts Direction 2023 to 2024 (the Accounts Direction). Compliance with the Accounts Direction also ensures that the requirements of companies and charities legislation are met. There were only a small number of changes introduced by the 2023/24 revision of the Accounts Direction. The notable changes of relevance to the Academy Trust were as follows:

i. Governance statement – The framework for governance, risk management and control

Guidance relating to the Board’s annual review of effectiveness has been expanded. The significant change within this area is that the Board are now required to include an overall conclusion within the statement as to whether the trust has an adequate and effective framework for governance, risk management and control. If it does not, the reason for this conclusion must be stated, along with the plan for improvement.

Areas which will inform the assessment of the effectiveness of internal control, and the conclusion of the Trust are likely to include:

- The programme of internal scrutiny;
- The financial management and governance self-assessment, or the school resource management self-assessment tool;
- The work of management within the Trust who have responsibility for the development and maintenance of the internal control framework;
- The work of the external auditor; and
- Correspondence with the ESFA, for example Notices to Improve and “minded to” letters.

ii. Fixed assets - Valuations of new school buildings

In instances when school buildings (most typically long leasehold) are provided to an academy trust as a donation, the trust will be required to determine an appropriate valuation of the building under UK GAAP.

The AAD 2023 to 2024 has provided additional detail on information trusts may have access to in relation to long leasehold buildings, and their suitability as a basis of valuation for the purpose of the financial statements.

Specifically, the AAD now highlights that Department for Education valuations are typically performed for IFRS purposes at national level (and therefore not necessarily compliance with UK GAAP) and that insurance valuations are based on rebuild value (rather than fair value) and are also unlikely to be appropriate. The AAD notes that these two sources of information are not considered to provide reasonable basis for UK GAAP valuation and should only be used to assist with comparison.

The AAD provides further examples of information sources, which may be more appropriate for the determination of a value under UK GAAP, these are:

- Obtaining a valuation from a chartered surveyor;
- Obtaining a valuation from the relevant local authority;
- Obtaining a valuation from the construction company where appropriate; and
- Assessing the value of any assets from a transferring academy trust.

While this does not change existing requirements around the basis of valuations within financial statements, it does provide additional clarity as to the reliance which can be placed on different information sources, and when a trust receives new donated buildings it should ensure that a reliable valuation is able to be obtained prior to the date of approval of the financial statements. In practice, it is likely that this guidance will mean that more academy trusts will need to obtain valuations from a chartered surveyor when they bring buildings in to the trust in future.

iii. Staff costs – identification of other employee benefits

The AAD clarifies the requirement that the cost to the employer of any other employee benefits – for example medical care, housing, cars are separately identified as “other employee benefits” within the staff costs note.

iv. Agency arrangements – inclusion of cumulative unspent funds

Slight amendment has been made to requirements for agency disclosures (most typically this will relate to 16-19 bursary funds) such that the cumulative value of any unspent balances carried forward should be disclosed within the note to the financial statements.

v. Income – Confirmation of funding streams to be split within note to financial statements

The Accounts Direction has been updated to include additional confirmation of those funding streams which, if material, should be disclosed separately within the “Funding for the academy trust’s educational operations” note to the financial statements. Trusts may also wish to consider whether this will impact the presentation of any movements within the funds note to the financial statements. The general principal is that any material stream should be identified separately, and that this may include, but would not be limited to:

- Student support services funding;
- 16-19 core education funding;
- Pupil Premium and Service Premium;
- Pupil Number Adjustment;
- Universal Infant Free School Meals;
- Insurance;

- PE and Sports Grant; and
- Teachers Pay Grant.

vi. Removal of references to the COVID-19 supplementary bulletin

Funding associated with COVID-19 has now either stopped or become part of business-as-usual activity. The key elements of the bulletin which remained relevant to the 2023 financial statements preparation were requirements for separate disclosure of COVID-19 additional funding within the “Funding for the academy trust’s educational operations” note to the financial statements. Typically, for 2023, this related to Recovery Premium funding which has subsequently been absorbed to become a component of GAG funding.

In light of the two updates within the guidance noted above impacting income disclosure, as part of the preparation of 2024 financial statements the Trust should seek to review comparative information to ensure comparability across financial periods. We will work with management to ensure that the report and financial statements comply with the ESFA’s guidance.

In all respects, the Academy Trust’s annual report and financial statements have complied with the new requirements.

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Accounting policies, estimates, and disclosures

Our work included a review of the adequacy of disclosures included in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Academy Trust. We believe that the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the Academy Trust and in compliance with the Accounts Direction.

Professional ethics

In accordance with our profession's ethical guidance and further to our letter to you confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

Audit adjustments and unadjusted misstatements

Under Auditing Standards, we are required to provide you with details of any adjustments identified during the course of our audit work which have been made to the figures presented to us for audit.

Audit adjustments

Details of the adjustments which have been made to the figures presented to us for audit are provided at Appendix 1. These have been discussed and agreed with Jane Coleman. We will obtain written representations from you, as Trustees, that you concur with these adjustments.

Unadjusted misstatements

Details of the misstatements identified during our audit which remain unadjusted are provided at Appendix 1. We will obtain written representations from you, as Trustees, that these are not to be adjusted due to their lack of significance to the overall result portrayed by the financial statements.

Materiality

Materiality threshold £247,000

Reporting threshold: £12,350

You will note that our report refers to 'material misstatement;' materiality refers to the relative significance of a particular matter in the context of the financial statements as a whole. An item would be considered material if its omission or its erroneous inclusion would reasonably influence the decisions of those using the financial statements.

We are required to report corrected audit misstatements, and uncorrected audit misstatements in excess of our reporting threshold which is set at 5% of overall materiality.

Our materiality threshold is typically based on 1.5% of operational income. A lower level of materiality may be selected for specific areas of the financial statements. For many disclosure items however, materiality is an absolute and not a relative concept. This specifically applies to transactions and other financial arrangements with Trustees and their connected persons, which would usually be considered material regardless of relative value.

When considering the impact of misstatements discovered during the course of our audit and considering the implications for our report of such misstatements, we will refer to this level amongst other things. Whether a misstatement is 'material' or not is ultimately down to the auditor's judgement.

Accounting and internal controls systems

Our work during the audit included an examination of some of the Trust's transactions, procedures and controls with a view to expressing an opinion on the financial statements for the year ended 31 August 2024.

This work was not directed primarily towards discovering weaknesses, other than those that would affect our audit opinion, or towards the detection of fraud. We have included in this report only 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 of all improvements that might be made.

ISA315 requires that we obtain an understanding and assess the control environment in place, with a particular emphasis on ICT controls however our work in this area is primarily performed to aid risk assessment for external audit purposes and should not be considered a substitute for a dedicated ICT and Systems audit review. The general environmental risk in relation to systems failure and cybersecurity is high, and we recommend that the trustees ensure they continue to consider the mitigations and controls in place as part of their annual review of risk and, their cyclical programme of internal scrutiny. Further ESFA guidance on minimum cyber security standards for education establishments is available at:

<https://www.gov.uk/guidance/meeting-digital-and-technology-standards-in-schools-and-colleges/cyber-security-standards-for-schools-and-colleges>

Audit observations and recommendations

We are pleased to report that we found no significant deficiencies in the accounting and internal control systems during our audit.

The table below provides a summary of any observations made concerning weaknesses in the Academy Trust's accounting and internal control systems including those identified as part of the work performed to provide a conclusion on the regularity of the Academy Trust's transactions within the accounting period.

Observations included in the "A" grade (red) banding indicate that, in our opinion, there is a risk of significant financial impact on the business that must be addressed immediately. "B" grade (orange) banding recommendations relate to those issues where there is a risk of moderate financial impact on the business, such as a control failure or the absence of a control in an area of moderate risk. These items should be addressed shortly. Observations included in the "C" grade (yellow) banding indicates that the matter, although important, does not warrant urgent attention and should be addressed within an agreed timeframe.

Priority	No of points	Relating to
A	-	
B	2	<ul style="list-style-type: none">• Declarations of interest• Valuation of assets
C	-	

Financial performance and position

Audited results

The results reported within an academy trust set of financial statements include a number of non-cash movements including Local Government Pension Scheme adjustments and depreciation charges, which do not usually appear within the management accounts. The analysis below shows the financial performance reported in the financial statements excluding these items so that the results can be more easily related to figures that are being reported in-year. Excluding movements on tangible fixed assets, the defined benefit pension liability, and other non-recurring items, the Academy Trust's "operational" deficit for the year was £763,000 (2023: £168,000), as reconciled below.

	2024 £'000	2023 £'000
Overall net movement in funds	(2,627)	(9,936)
Add: net expenditure attributable to the fixed assets fund (note 1)	2,625	11,387
Add: Pension attributable to Wyke leaving the Trust (note 2)	41	-
Less: LGPS actuarial gain (note 3)	(903)	(1,612)
Add: LGPS service cost adjustment (note 3)	10	197
Add: LGPS interest cost adjustment (note 3)	89	132
Operational deficit for the year excluding fixed asset purchases	(765)	168
Less: fixed asset purchases from revenue funds (note 4)	-	-
Operational (deficit) for the year	(765)	168
Reconciliation of revenue reserves		
Revenue reserves brought forward (note 5)	1,558	1,390
Operational deficit for the year (as referred to above)	(765)	168
Revenue reserves carried forward	793	1,558

Note 1: Movement on fixed assets fund

For the purposes of determining the “operational” deficit, the net income in respect of the fixed assets fund has been disregarded on the basis that the principal movements within this fund relate to capital funding received and the depreciation applied on assets purchased from such funds, and therefore are not in relation to the day-to-day operation of the Academy Trust. Included within the net income is the donated new school at Lakeside of c£10.6m.

Note 2: Pension liabilities transferred with Wyke School

For the basis of calculating the operational result, the transfer is disregarded because it relates to one off transfers of reserves and is not part of the day-to-day operational activity.

Note 3: LGPS (Local Government Pension Scheme) adjustments

The Academy Trust is one of several employing bodies included within the Surrey and Hampshire Pension Funds. The schemes actuaries have prepared a valuation of the assets and liabilities which are specific to Kite so that the net liability may be included on the balance sheet. For the purposes of determining the “operational” deficit, the non-cash adjustments necessary in accounting for the change in the liability since 1 September 2023 have been excluded.

Note 4: Fixed asset purchases from the revenue fund

The purchase of fixed assets from revenue (operational) funds is shown in the accounts as a transfer from unrestricted and restricted general funds to the restricted fixed asset fund. This additional investment in fixed assets is in addition to the restricted capital funding that the Academy Trust received.

Note 5: Revenue reserves

The revenue reserves of the Academy Trust exclude the tangible fixed asset fund and Local Government Pension Scheme reserve. The revenue reserves therefore represent the funds available for the day-to-day operation of the Academy Trust.

Comparison of key financial ratios

For your information, we have included at Appendix 3 to this report a comparison of the Academy Trust’s key financial ratios for 2022, 2023 and 2024 and also against the sector averages for 2022 and 2023.

Note that the ratios presented in the Appendix may differ from your own ratios where a slightly different formula is used. In addition, the population is drawn from data on approximately 100 academies based in the South East of England and Greater London and whilst they may provide a guide as to how the Academy Trust compares to the sector, there is a substantial amount of diversity across the sector depending on the individual circumstances of each academy.

Letter of representations

We take this opportunity to enclose a final draft of the letter of representations which we will ask management and the Trustees to sign at the same time as the approval and signature of the annual report and financial statements.

This includes acknowledgement of the Trustees responsibility for the design and implementation of internal controls to prevent and detect fraud.

As set out in our planning letter, we understand the following applied to the year ended 31 August 2024.

- The Board of Trustees of the Academy Trust exercised effective oversight of management's processes for identifying and responding to the risks of fraud in the Academy Trust and a system of internal controls was in place to mitigate these fraud risks.
- The key areas at most risk of fraud at the Academy Trust is third party fraud leading to payment being made to the incorrect recipient including cyber fraud.
- The Board of Trustees were not aware of any instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets.
- There have not been any out of the ordinary transactions.

If the above information is no longer correct, please contact Shachi Blakemore or Stephen Elsworth.

Other work undertaken as part of the 2023/24 audit cycle

As set out in our External Audit Strategy to you we have also been engaged to provide you with the following services:

- **Teachers' Pension End of Year Certificate (EOYC) assurance**

We can confirm that we have concluded our work on this area. Our assurance report was issued to Teachers' Pensions along with the final End of Year Certificate. Our work did not raise any significant concerns which need to be drawn to your attention.

- **ESFA Accounts Return assurance**

Our work on the Accounts Return assurance will begin in December. We do not have any concerns at this stage and we will work with management to ensure that the Accounts Return together with our assurance report is filed ahead of the 28 January 2025 deadline.

Use of this report

This report has been prepared for your private use only. It has been prepared on the understanding that it will not be shared with any third party, other than the ESFA, without our prior written consent and we can therefore assume no responsibility to any other party. The advice contained herein is based on the information you have provided and UK law and judicial and administrative interpretation as of the date of this report. Should the facts provided to us be incorrect or incomplete or should they change, our advice may be inappropriate. Buzzacott LLP accepts no liability for losses arising from changes in UK law, interpretation or practice or in public policy that are first published after the date of this report.



Buzzacott LLP

Date: 20 December 2024

Appendix 1: Audit adjustments and unadjusted items

Audit adjustments

Description	Statement of financial activities		Balance sheet	
	Debits (£'000s)	Credits (£'000s)	Debits (£'000s)	Credits (£'000s)
1 Dr Income - donations Cr Tangible fixed assets <i>Being elimination of freehold land value from Mindenhurst site gifted by Surrey Council</i>		3,890		3,890
2 Dr Cash on deposit Cr Cash at bank <i>Being reclassification of cash held on short term deposits (cash holdings with a maturity date over 3 months does not meet the definition of cash at bank)</i>			100	100

The above adjustments decreased the Academy Trust's overall reserve balances by £3.89m.

Unadjusted items

Description	Statement of financial activities		Balance sheet	
	Debits (£'000s)	Credits (£'000s)	Debits (£'000s)	Credits (£'000s)
1 Dr Actuarial gains Cr Pension liability <i>Being reversal of pension asset of the Hampshire schemes against pension liability of the Surrey schemes.</i>	3			3

The above items, if they were to be adjusted, would decrease the Academy Trust's overall reserve balances by £3,000.

Appendix 2: Audit observations and recommendations

Observation and Implication	Recommendation	Management comment
<p>B Declarations of interest</p> <p>During our review of declarations we noted that although the declarations of interest require details of the spouse/partner’s employer and nature of that business, the definition of close family is wider than spouse/partner. The definition given in the Accounts Direction includes:</p> <p><i>“a) that person’s children and spouse or domestic partner; (b) children of that person’s spouse or domestic partner; and (c) dependants of that person or that person’s spouse or domestic partner”</i></p> <p>There is a risk that the Academy Trust may enter into transactions with organisations without being aware that it is a related party.</p>	<p>We recommend that the definition used in the Accounts Direction is added to the current declaration of interest form as an explanatory note to ensure that the trustees and staff completing the declaration are aware of the definition and make any necessary disclosure.</p>	<p>We will incorporate the Accounts Direction definition into our declaration of interest form as an explanatory note.</p> <p>Person responsible: Governance Professional</p> <p>Date for implementation: January 2025</p>
<p>B Valuation of fixed assets</p> <p>As noted on pages 14 and 15 the ESFA have issued guidance to Academies on the valuation of land and buildings.</p> <p>The Academy has a significant portfolio of property which have historically been valued using a number of different bases, some of which may no longer be appropriate.</p>	<p>We recommend that the Academy follows the guidance with regards to valuations when assessing the value of properties for financial statement purposes in future years.</p> <p>We suggest that a professional valuation of the Mindenhurst school on a leasehold interest basis is obtained and incorporated into the financial statements for 2024/25.</p>	<p>We will consider obtaining a professional valuation for the Mindenhurst site on a leasehold interest basis.</p> <p>Person responsible: Director of Finance</p> <p>Date for implementation: July 2025</p>

Appendix 3: Comparison of financial ratios

The analysis of ratios is split between Single Academy Trusts and Small (fewer than 2,500 pupils), Medium (2,501- 9,000 pupils) and Large (9,001+ pupils) MATs.

Operational margin after transfers from revenue funds



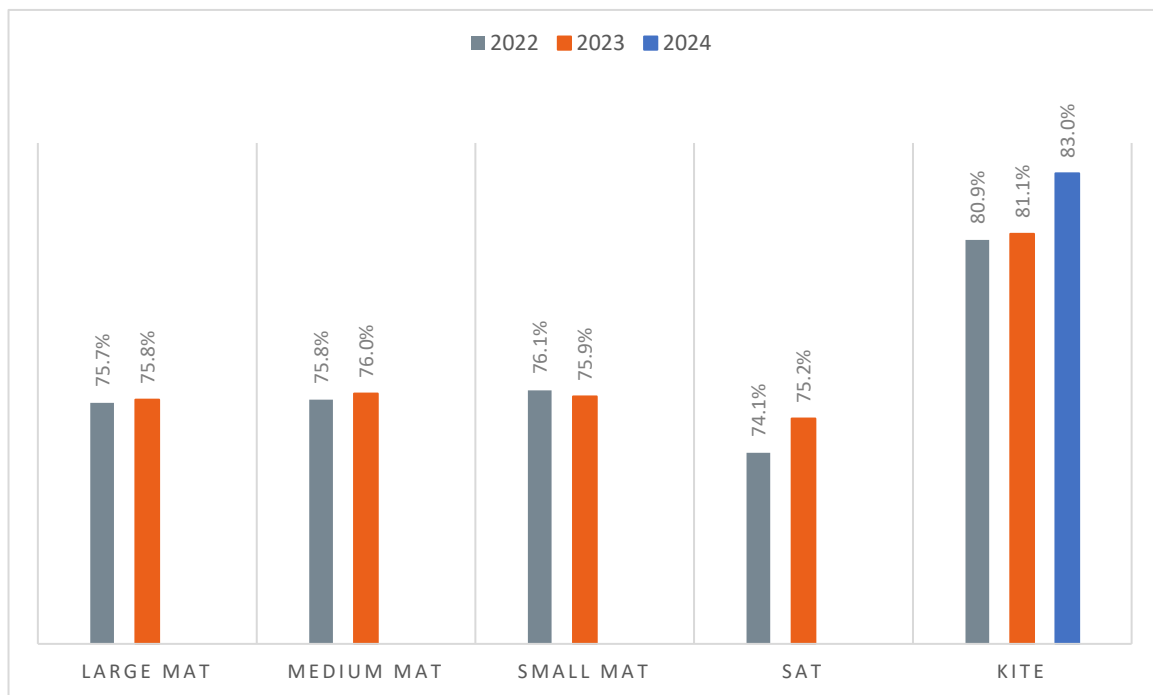
Formula: Surplus (deficit) for the year excluding fixed asset fund, LGPS adjustments and amounts donated on conversion ÷ Total income excluding fixed asset fund income and amounts donated on conversion.

The aim of an academy trust is not to generate profits on trading or capital gains, but to provide quality education and fully utilise its resources in so doing.

The most significant factor on the operations margin of trusts is payroll, the largest of a trust's costs. Though schools set their teachers' pay, these are determined by national pay scales, which along with employer pension and national insurance contributions are not within the control of an academy trust.

The impact of rising costs relative to funding levels began to be seen in 2022, with operational margins reducing across the sector and this continued in 2023.

Payroll as a % of operational income



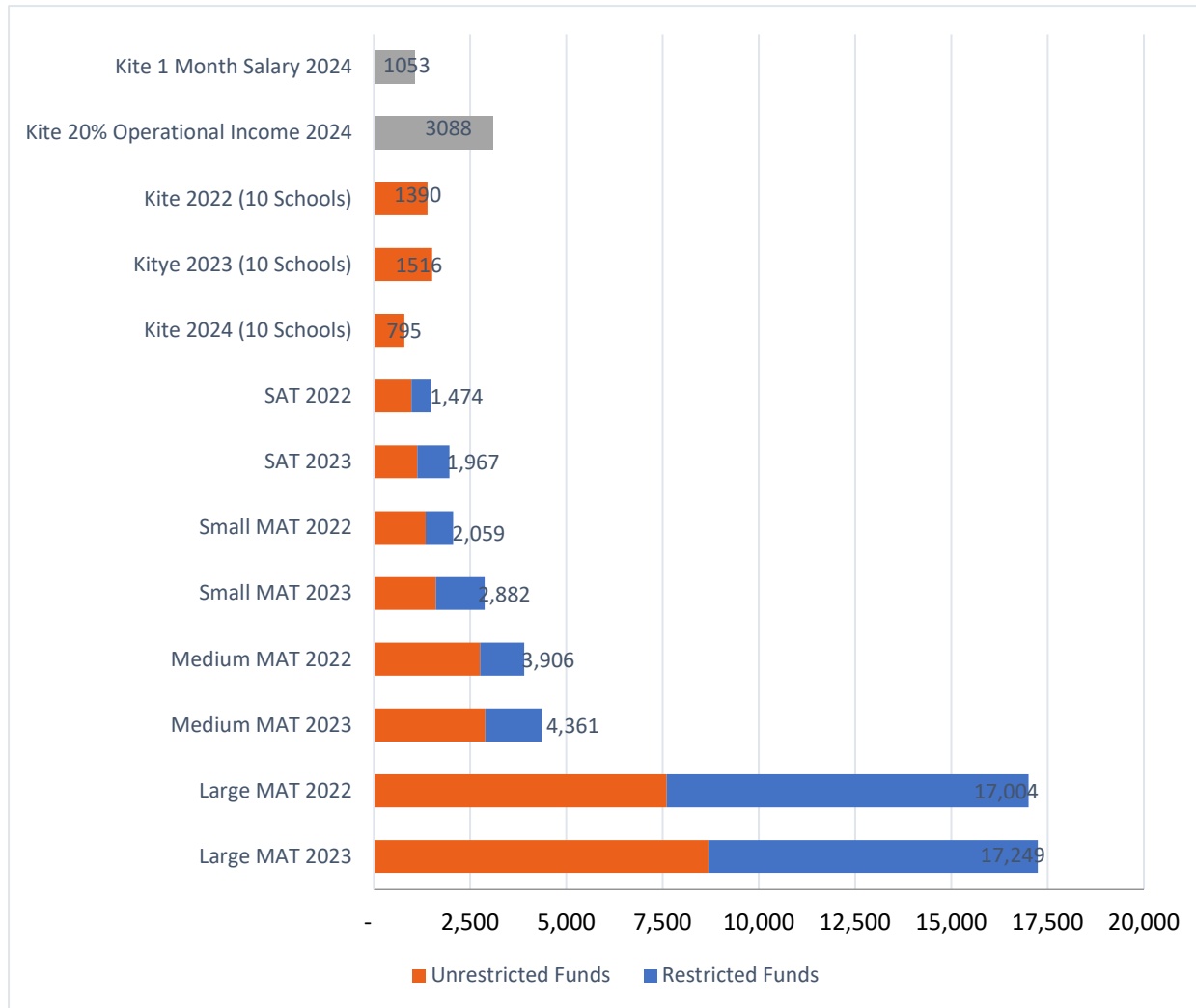
Formula: Total payroll costs (including agency costs but excluding defined benefit pension scheme adjustments and one-off severance payments) ÷ Total income (excluding capital grants, conversion balances, sponsorship and start up grants)

Staff costs represent the most significant area of expenditure for all academies and are viewed by third parties as a critical indicator of financial and operational efficiency. Typically, staff costs make up 70% - 80% of both total costs and total income. The sector has seen increases in pay costs with significant pay agreements reached in recent years. Trusts have looked to control payroll cost increases in light of increased costs elsewhere. This has resulted in a reduction in payroll as a percentage of operational income between 2021 and 2022.

Using the data for 2022/23, we also considered the overall payroll ratio by banding, which demonstrates a continued overall trend towards a higher payroll ratio.

Payroll banding	% Trusts 2023	% Trusts 2022
< 70%	11.8	13.6
70 – 75%	34.2	25.5
75 – 80%	35.1	47.1
80 - 85%	18.0	12.8
> 85%	0.9	1.0

Revenue reserves



The graph to the left shows the split of the Academy Trust's reserves between unrestricted funds (including designated funds) and restricted funds (excluding the fixed assets fund and pension reserve) shown in £'000.

The government recommend that the amount an academy trust set aside is based on the type and size of the academy trust as well as the particular risks that it faces (for instance, if they are locked into a PFI contract). They encourage academy trusts to ensure that they keep at least one-month's salary cost as a revenue reserve. ESFA guidance is published at <https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-reserves>

When considering a reserves policy, academy trusts should consider wider financial risks and future plans to determine the appropriate level of reserves in the academy trust's own context. MATs should also consider how the reserves policy applied across constituent schools and to what extent risk can be spread across the trust. As a trust grows in size, the reserves held on a per school basis will typically be lower. In 2023 a "Large MAT" held on average around £300,000 of revenue reserves per school compared to £840,000 for a "Small MAT".

LGPS liability as a percentage of GAG income

As for all academy trusts, support staff are eligible to participate in a relevant Local Government Pension Scheme, a multi-employer defined benefit scheme. In accordance with the requirements of the reporting standards, the Trust has included its share of the liability in the scheme on its balance sheet, as estimated by the scheme actuary. As slight changes in the actuarial assumptions used can have a substantial impact on the overall net pension liability, we have provided in the table below a comparison of the 2023/24 LGPS retirement benefit assumptions against those of other educational organisations.

Assumptions	Sector Average	Kite
	%	%
Price increases	2.7	2.7
Salary increases	3.5	3.7
Pension increases	2.7	2.7
Discount rate	5.0	5.0
Decrease in LGPS liability from 01/09/23 to 31/08/24	n/a	44%
Value of LGPS liability at 31 August 2024	n/a	£975,000

Appendix 4: Sector developments

Policy and compliance

ESFA functions to move to the Department for Education

The functions of the Education and Skills Funding Agency (ESFA) are being moved into the core Department for Education (DfE) to streamline operations and improve financial management across the education sector. This transition will occur in two phases, with the first stage beginning in October 2024 and full integration by March 2025.

The primary goals of this move include creating a more unified and efficient approach to funding, regulation, and school improvement. By consolidating these functions under the DfE, the government aims to provide educational institutions with a single point of contact for financial management and oversight. This shift is expected to strengthen accountability and enhance school performance, particularly in underperforming schools, through the formation of new Regional Improvement Teams.

This change is also expected to bring about some cost efficiencies, though this is not the main driver behind the decision. By centralizing assurance and regulatory functions, the DfE is hoping to deliver a more cohesive support system for schools, colleges, and training providers, ensuring that financial oversight is closely tied to educational outcomes.

<https://www.gov.uk/government/news/esfa-functions-to-move-to-the-department-for-education>

Procurement Act 2023

The Procurement Act 2023 introduces significant changes in how academy trusts will need to handle procurement, aiming to streamline and modernize the process. The new regulations focus on simplifying procurement for public bodies, including schools and trusts, to make it more transparent, efficient, and UK-centric after Brexit.

The full guidance issued by the Government is available at:

<https://www.gov.uk/government/collections/procurement-act-2023-guidance-documents>

In determining whether the procurement act applies, academy trusts should consider the size of the contract, with the thresholds for application (as at 2024) being:

- Goods and services: £213,477
- Works: £5,336,937
- Concessions (where a supplier can collect revenue): £5,336,937

Some services for education, health and care are covered by the 'light touch regime'. The threshold for these is £663,540. The services covered by this regime are listed in the Regulations.

<https://www.legislation.gov.uk/ukxi/2015/102/schedule/3/made>

Contracts below these thresholds may not require a formal procurement process under the new Act. However, academy trusts must still follow best

practices and ensure transparency and value for money, even for contracts below the threshold.

If a contract is above these limits, the trust must comply with the full requirements of the Act, including public tendering, transparency in procurement notices, and adherence to value-for-money principles

Key changes impacting academy trusts

- **Unified Procurement Framework:** The Act consolidates various procurement regimes under a single, simplified framework. This change will reduce complexity for academy trusts when managing procurement processes across different sectors like utilities and public contracts. While the structure is more straightforward, certain sector-specific rules will remain to meet unique needs, including education.
- **Value for Money Focus:** One of the core changes is a shift in procurement objectives. Trusts will now be required to prioritize not just compliance and equal treatment but also delivering value for money and maximizing public benefit. Trusts will need to show how their procurement processes align with these goals.
- **Increased Transparency:** To enhance transparency, the Act mandates that procurement notices and decisions be more accessible and easier to track through central platforms. Academy trusts will need to publish detailed procurement notices and manage records of their procurement processes more rigorously, ensuring decisions are fair, well-documented, and publicly accessible.
- **New Procurement Procedures:** The Act introduces more flexible routes for procurement, including Dynamic Markets, replacing the Dynamic Purchasing System (DPS). Trusts will be able to use these new systems to access suppliers more quickly and flexibly, which could improve their procurement efficiency and response to evolving needs.

- **Prevention of Fraud and Corruption:** Trusts will be required to maintain stricter compliance with anti-corruption policies. The Act places a heavy emphasis on integrity throughout the procurement process, requiring educational institutions to implement robust internal controls and reporting mechanisms.

Practical implications for academy trusts

For academy trusts, these changes mean revising internal procurement policies to align with the new legislation. Trusts will need to train staff on the new procedures and use centralized procurement tools, such as the new hosting platforms for procurement notices, to ensure compliance.

Moreover, trusts must consider how to demonstrate value for money and public benefit in their procurement decisions, documenting these considerations transparently to ensure continuous alignment with the Act's requirements.

In preparation, academy trusts should review their procurement strategies and ensure that processes are in place to ensure smooth transition and consider any additional elements of the risk framework which may be required to monitor compliance in this area.

The Procurement Act 2023 thus marks a shift towards more transparent, efficient, and value-driven procurement practices, requiring academy trusts to adapt their processes to meet these new standards effectively.

This shift aims to improve procurement outcomes across the public sector, ensuring that academy trusts can procure goods and services more flexibly, while also maintaining the integrity and transparency of their operations.

The government have produced a series of e-learning modules to support practitioners in implementing the new regime (applicable to all operational procurement staff): <https://www.gov.uk/guidance/the-official-procurement-act-2023-e-learning>

A series of short guides for senior leaders and suppliers have also been produced at: <https://www.gov.uk/government/publications/procurement-act-2023-short-guides>

Short video guides have also been produced: <https://www.gov.uk/government/publications/procurement-act-2023-short-guides/animations-and-videos>

Additional Department for Education guidance, including e-learning and Knowledge Drops is available at:

<https://buyingforschools.blog.gov.uk/2024/05/07/new-transforming-public-procurement-tpp-e-learning-for-procurement-practitioners-in-schools-and-multi-academy-trusts/>

For further guidance, academy trusts should consider seeking advice from legal and procurement professionals as they prepare for these changes, a webinar series from Stone King is available at the below link:

<https://www.stoneking.co.uk/literature/e-bulletins/stone-kings-procurement-series>

Academy Trust Handbook 2024

The Academy Trust Handbook 2024 (ATH 2024) was published in July 2024.

The key changes applicable following the publication of the revised ATH 2024 were:

- Reminders to trusts of the importance of the digital and technology standards.
- Emphasising that the reserves policy of a trust should include a clear plan for managing reserves.
- Clarifying the position around Electric Vehicle salary sacrifice schemes and instances when approval must be sought prior to entering such arrangements.
- Detailing that trusts with annual revenue income over £50m should (and from 1 September 2025 must) deliver internal scrutiny using any combination of an in-house internal auditor and a bought-in internal audit service.
- Clarifying qualification requirements for trustees and peer reviewers delivering internal scrutiny services to smaller trusts.
- Confirming that trusts will be able to enter into finance leases where the category appears on the DfE approved list <https://www.gov.uk/government/publications/leasing-for-academy-trusts/changes-to-leasing-agreements-for-academy-trusts>
- Clarifying that trusts should take appropriate action to meet DfE's cyber security standards.
- Extending the list of examples where a Notice to Improve may be issued to include management of the school estate.

Further detail is included in full on page 8 of the ATH 2024.

<https://www.gov.uk/guidance/academy-trust-handbook>

Changes to UK GAAP

In March 2024, the Financial Reporting Council published amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The amendments encompass a number of changes including:

- a new model of revenue recognition designed to align UK GAAP with IFRS 15 Revenue from Contracts with Customers;
- a new model of lease accounting which brings assets under operating leases on to the balance sheet, designed to align UK GAAP with IFRS 16 Leases; and
- various other incremental improvements and clarifications which will need to be factored in to reporting in due course, for examples changes to requirements for disclosures within accounting policies.

The amendments will be effective for accounting periods beginning on or after 1 January 2026, meaning the year ending 31 August 2027 for academy trusts, and can be read at:

[https://media.frc.org.uk/documents/Amendments to FRS 102 and other FRS s.pdf](https://media.frc.org.uk/documents/Amendments%20to%20FRS%20102%20and%20other%20FRS%20s.pdf)

Development of new Charity Statement of Recommended Practice (SORP)

The Academies Accounts Direction is based on the Charities SORP. It is expected that the new SORP will be published no later than Autumn 2025 for an effective date of 1 January 2026. Accordingly, we expect that the new SORP will also impact academy trust financial statements for the year ending 31 August 2027.

Background on the 15 topics for change that have been considered by the SORP Committee are available at: <https://charitycorp.org/engage-briefings-to-inform-the-engagement-process-in-developing-the-next-sorp>

HMRC challenges to VAT reclaims

Academies are entitled to claim refunds of VAT incurred on the cost of providing non-business state education. Non-VAT registered academies do this via the VAT126 form and VAT registered charities make the claims as part of their usual VAT returns.

Recently there have been instances where HMRC have refused VAT refunds where the school or MAT concerned is not listed on the Department for Education's Get Information About Schools (GIAS) database. HMRC are claiming this means they cannot verify Academy status.

It is recommended that all Academies and MATs ensure that their details are on GIAS, and that any change of status (such as becoming an Academy or joining a MAT) are recorded on GIAS to avoid delays in refunds.

Department for Education Guidance

Digital and technology standards

In May 2024, the Department for Education provided update to its guidance document “Meeting digital and technology standards in schools and colleges”.

While there has not been significant change to the standards, several areas have been rewritten to ensure accessibility to stakeholders who may not have cyber expertise. The update notes published by the DfE provide further mapping of the previous publication to the revision.

New sections of guidance have also been added in relation to digital accessibility standards, digital leadership and governance standards and laptop, desktop and tablet standards.

<https://www.gov.uk/guidance/meeting-digital-and-technology-standards-in-schools-and-colleges>

Generative artificial intelligence (AI) in education

In October 2023, the DfE published updates to its policy paper on the use of AI in the education sector.

This paper sets out the opportunities, including the potential to improve efficiencies and free up workload time for teachers, and challenges that AI presents to the sector from the perspective of the Department.

The publication also provides useful information in relation to the management of data and impact on intellectual property and is a useful resource for schools in determining their own policies in this area.

<https://www.gov.uk/government/publications/generative-artificial-intelligence-in-education/generative-artificial-intelligence-ai-in-education>

Best practice guides

During 2023/24, the Department for Education has updated best practice guidance with four areas receiving significant updates:

- Streamlined Energy and Carbon Reporting (SECR) for Academy Trusts

Which provides more detailed guidance for academies in determining the most appropriate basis of making these calculations. The guide also notes that trusts which fall below the threshold for compulsory reporting within financial statements are encouraged to voluntarily publish this information on their website.

<https://www.gov.uk/government/publications/streamlined-energy-and-carbon-reporting-secr-for-academy-trusts/streamlined-energy-and-carbon-reporting-secr-for-academy-trusts>

- Local Government Pension Scheme (LGPS)

Provides an overview of the key features of LGPS membership and is useful for stakeholders in gaining familiarity with the mechanisms involved in determining contribution rates and the regularity with which revaluations take place.

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/local-government-pension-scheme-lgps>

- Internal Scrutiny in Academy Trusts

The guidance on internal scrutiny has been updated to reflect changes in the Academy Trust Handbook, the revised guidance also provides suggested areas of coverage for the programme of internal scrutiny which committees may wish to consider alongside their own perspective on key areas in which scrutiny may provide assurance over mitigating controls and processes.

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/internal-scrutiny-in-academy-trusts>

- Academy trust reserves

ESFA guidance to the sector on academy trust reserves was updated on 14 November 2023. The updated guidance provides detail to trustees and trust leaders with respect to reserves, regulatory requirements and areas to consider in determining reserves policy.

Specifically, the ESFA has now included a lower threshold for reserves of 5% of income. Should a trust have reserves under this threshold, the ESFA will contact the trust to look to understand the position and determine any potential support which may be required.

The guidance also provides high level detail of the role reserves levels may take when making commissioning decisions for the transfer of new academies.

The full guidance is available at:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-reserves#esfas-role-in-looking-at-academy-trust-reserves>

In addition, the Department for Education are currently in the process of updating leasing guidance for the sector, following amendments within the Academy Trust Handbook 2024/25. Once updated, the revised guidance will be published at:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/leasing-guidance-for-academy-trusts>

The full list of available best practice guides is available at:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides>

Assurance themes

On 11 September 2024, the ESFA published an update detailing common themes arising from reporting in the 2023 to 2024 assurance year (covering the period ended 31 August 2023).

The report notes that just under 95% of accounts were submitted in advance of the 31 December 2023 deadline (a decrease from close to 96% in 2022 and 97% in 2021).

The financial statements of just 0.4% of trusts included a qualified audit opinion (2021/22: 0.2%), the reasons for which were due to the accounting for Local Government Pension Schemes. There was also an increase in the number of audit reports including an emphasis of matter or material uncertainty, also

primarily due to LGPS accounting issues along with an increase in the number of trusts closing or transferring.

The percentage of modified regularity reports reduced from 8.1% in 2021/22 to 7.7% in 2022/23, with the most common reasons for modification being internal financial reporting issues and the authorisation of related party transactions.

The full report is available to read at the below link. The full report also details themes with respect to internal scrutiny reporting, financial management and governance reviews, academy funding audits, School Resource Management Self-Assessment Checklist returns and education recovery grant reviews.

<https://www.gov.uk/government/publications/academy-trusts-themes-arising-from-esfas-assurance-work/common-themes-arising-from-esfas-assurance-work-in-2023-to-2024>

Safeguarding

Keeping Children Safe in Education

The latest version of the Keeping Children Safe in Education (KCSIE) guidance was published on, and applies from, 1 September 2024. The full guidance is available here:

<https://www.gov.uk/government/publications/keeping-children-safe-in-education--2>

As in previous versions, the guidance emphasises that it is essential that everybody working in a school or college understands their responsibilities with respect to safeguarding. All staff at academy trusts must therefore read Section 1 of the document at the very least. The substantive changes to the guidance

this year, excluding minor clarifications and presentational changes, are as follows:

The 2024 update introduces several notable changes, aimed at enhancing safeguarding practices within schools and colleges. While the changes are not as extensive as those expected in 2025, the 2024 revisions offer crucial adjustments that schools need to incorporate into their safeguarding protocols.

Key changes include:

- **Terminology Shift:** The term "abuse and neglect" is now expanded to "abuse, neglect, and exploitation." This update acknowledges the growing concern over various forms of exploitation, including child sexual exploitation, and ensures that schools focus on identifying and addressing these risks.
- **Focus on Domestic Abuse:** There is greater emphasis on domestic abuse as a safeguarding concern. The updated guidance highlights how children can be impacted by domestic violence, even if they are not direct victims. This aligns with the broader safeguarding focus on emotional and psychological abuse that can occur in such environments.
- **Support for LGBTQ+ Pupils:** In light of the Cass Review, new guidance encourages schools to consider the needs of children who are lesbian, gay, bisexual, or questioning their gender identity. The document advises caution in cases of social transitioning and underscores the importance of involving parents, unless doing so would pose a risk to the child.
- **Alternative Provision:** Schools now have clearer responsibilities for pupils placed in alternative provision. This ensures continued accountability and safeguarding even when students are educated off-site.

- Attendance and Absences: The phrase "deliberately missing education" has been updated to "unexplainable and/or persistent absences from education," refining how schools should monitor and address attendance issues.

These changes align KCSIE 2024 more closely with the updated multi-agency safeguarding guidance, "Working Together to Safeguard Children 2023." Schools and colleges are advised to update their safeguarding policies, train staff on the new terminology, and review how they handle cases involving domestic abuse and LGBTQ+ students. While the updates are relatively minor, they require careful integration into daily safeguarding practices to ensure compliance.

Cyber security and fraud updates

Charity Fraud Report 2023

The Fraud Advisory Panel issued its 2023 Charity Fraud Report in January 2024 following a survey of 121 charities, of which 62% generated income of over £10m, within the UK. The below key findings were noted:

- 36% of charities have experienced more instances of fraud than in the previous year;
- 50% of detected frauds were perpetrated internally (by staff, trustees or volunteers);
- 67% of charities agree that the cost-of living crisis has increased fraud risk; and

- 92% of charities who suffered a fraud experienced financial losses due to fraud (compared to 69% in 2022), with there being a shift to higher value frauds (over £10,000) taking place.

The report identifies that the most common frauds relate to misappropriation of cash or other assets, expenses, procurement, false beneficiaries or cyber matters with two-thirds of charities reporting that frauds were detected as a result of internal controls in place indicating the importance of designing a control environment with fraud risk at the centre.

Fraud prevention strategies include ensuring robust policies are in place (and are being followed) on cybersecurity, anti-fraud and conflicts of interest, whilst also ensuring adequate training is provided to those associated with the charity on a regular basis. A fraud response plan should also be devised and implemented in case of any adverse event.

The full report, including the Panel's top tips for preventing fraud (on page 22 and 23) can be read at: <https://www.fraudadvisorypanel.org/document/charity-fraud-report-2023/>

VAT fraud alert

VAT practitioners have been made aware of instances where taxpayers' bank account details have been amended on the HMRC portal without their knowledge, resulting in VAT repayments being diverted to unknown third parties. This issue came to light when clients reported that expected repayments had not arrived, and it was discovered that forged director signatures were used to change the bank details. Taxpayers filing repayment claims should therefore regularly check that their bank details have not been altered.

Buzzacott

Cyber-attacks

The British Library was subject to a cyber-attack in October 2023 and has published a “lessons learned” paper to help others in the sector who may experience similar. It covers the detail of the attack, and the impact it has had on operations, future infrastructure and risk assessments. The paper can be read at:

<https://www.bl.uk/home/british-library-cyber-incident-review-8-march-2024.pdf>