



Lincoln Anglican Academy Trust
Audit Completion Report for the year ended
31 August 2019
December 2019

Strictly private and confidential



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Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

The Board of Trustees
Lincoln Anglican Academy Trust
103 Newport
Lincoln
LN1 3EE

December 2019

Dear Sirs / Madams

Audit Completion Report – Year ended 31 August 2019

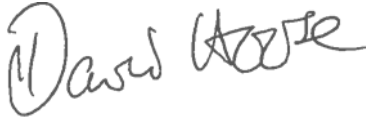
We are pleased to present our Audit Completion Report for the year ended 31 August 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07552 007 708.

Yours faithfully



David Hoose
Mazars LLP

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VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 3 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement.

Section 4 sets out internal control recommendations and section 5 sets out audit misstatements; unadjusted misstatements total £46k.

Status and audit opinion

We have completed our audit in respect of the financial statements for the year ended 31 August 2019.

We have issued an unqualified opinion, without modification, as set out in the Appendices.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 10 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

From our audit procedures, no issues have been identified.

2. SIGNIFICANT FINDINGS

Revenue recognition

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

How we addressed this risk

We have addressed this risk by reviewing and testing cut off procedures. We also reviewed revenue recognition policies for appropriateness.

Audit conclusion

No significant issues were noted in respect of revenue recognition from our audit procedures. Cut off testing was performed both pre and post year end and no material errors were noted.

Classification of funds

Description of the risk

There is a risk that income or capital (endowment) received has restrictions imposed by a third party and therefore should be recorded as restricted income or capital (endowment) in the SOFA. The related expenditure must be allocated against these restricted funds and any remaining funds at the period end must be carried forward within restricted funds.

How we addressed this risk

We ensured that funds were correctly classified and movements in funds comply with legal requirements.

Audit conclusion

No issues have been identified in relation to this risk. Income and expenditure has been recognised in the appropriate fund.

2. SIGNIFICANT FINDINGS

Going concern	<p>Description of the risk</p> <p>Both the private sector and public sector face challenging times due to the current economic climate. Increased risks are faced in many areas by the Trust, including:</p> <ul style="list-style-type: none">• Reduced levels of public funding• Demographic challenges and fall in student numbers• Expected reduction in funding for the next financial year• Increased national insurance and pension contribution rates <p>The risk of these factors having a significant impact on the going concern opinion is moderate. It needs to be considered whether any factors impact on the Trust's ability to continue operations.</p> <hr/> <p>How we addressed this risk</p> <p>Additional audit focus was made regarding the going concern of the Trust (as is the situation with all trusts). We also considered and reviewed future funding.</p> <hr/> <p>Audit conclusion</p> <p>Our work on Going Concern has involved reviewing the forecasts to August 2021 and the management accounts for the 2019/20 year end to date. We have discussed with management the assumptions made with regards the known increases in Teachers' Pension contribution rates and the anticipated increases in the LGPS contribution rates.</p> <p>Our work in this area has not identified any reason to believe that the adoption of the Going Concern assumption by the Trust is inappropriate.</p>
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Depreciation	<p>Description of the management judgement</p> <p>Lincoln Anglican Academy Trust have tangible assets on their balance sheet which are subject to depreciation charges. Management are involved in the selection of the useful economic lives of these assets.</p> <hr/> <p>How our audit addressed this area of management judgement</p> <p>We have reviewed the depreciation rates for reasonableness and ensured the rates have been applied appropriately.</p> <hr/> <p>Audit conclusion</p> <p>From the audit work performed the fixed assets appear materially correct and the depreciation policy included within the financial statements is considered reasonable.</p>
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2. SIGNIFICANT FINDINGS

Local Government Pension Scheme assumptions	Description of the management judgement
	To ensure that the assumptions used within the year end valuation of the Local Government Pension Scheme Deficit are appropriate.

How our audit addressed this area of management judgement

We obtained a copy of the actuarial valuation report prepared for the LGPS. We assessed the reasonableness of the assumptions used in valuing the scheme and reviewed the disclosures included in the financial statements to ensure it has been accounted for in accordance with relevant accounting standards.

In addition, this year we have written to the scheme auditor in order to gain comfort over member data and the allocation of scheme assets.

“GMP equalisation”

Further details are provided in significant matters discussed with management. An additional charge was proposed in the income statement as a “past service cost” arising from the change in the benefits payable. The impact was immaterial to the financial statements, and gave rise to an unadjusted error.

“McCloud judgement”

The McCloud judgement was included as one of the assumptions in the FRS102 actuary report. The impact on total liabilities is £78k.

Audit conclusion

Our actuarial team have reviewed the actuarial assumptions used in the calculation of the Trust’s share of the Local Government Pension Scheme deficit.

a. Lincolnshire Pension Fund

Our team have concluded that the assumptions are reasonable with the exception of the salary growth assumption, which was set at RPI less 0.6% (i.e. 2.7%), compared to the lower-end of our expected actuarial range of RPI plus 0.5% (i.e. 3.8%).

Management has been advised by Lincolnshire LGPS that the salary increase assumption used is based on that from the last full triennial valuation of the scheme in 2016. The triennial valuation report states “The Fund set a salary growth assumption of RPI less 0.6%. This reflects both short term pay constraints and the belief that general economic growth and hence pay growth may be at a lower level than historically experienced for a prolonged period of time.”

2. SIGNIFICANT FINDINGS

Local Government Pension Scheme assumptions (continued)

Audit conclusion (continued)

b. East Riding of Yorkshire Pension Fund

Our team have concluded that the assumptions are reasonable with the exception of the salary growth assumption, which was set at RPI less 0.8% (i.e. 2.5%), compared to the lower-end of our expected actuarial range of RPI plus 0.5% (i.e. 3.8%).

Management has been advised by the East Riding of Yorkshire LGPS that the salary increase assumption used is based on that from the last full triennial valuation of the scheme in 2016. The triennial valuation report states "Due to the change to a Career Average Revalued Earnings (CARE) scheme from 2014, there is now a closed group of membership in the Fund with benefits linked to final salary. Following discussions with the Administering Authority the Fund have set a salary growth assumption of RPI -0.8%. This reflects both short term pay constraints and the belief that general economic growth and hence pay growth may be at a lower level than historically experienced for a prolonged period of time."

Adopting the higher salary increase assumptions would increase the Trust's LGPS pension deficit by c.£655k.

We are advised by Management that they have reviewed the actuarial assumptions and believe them to be appropriate. They believe that the continuing uncertainty around Brexit will continue to impact on wage growth. When determining pay increases for support staff, Directors take account of the challenging financial circumstances that the schools find themselves in and consider that any pay increases must be affordable.

They are therefore of the opinion that the salary increase assumptions are not unreasonable and are within the parameters used in the institution's financial forecasts.

Whilst we have not raised an unadjusted error in respect of these, we would wish to discuss this matter further with the Trust's Audit Committee.

Accrued and deferred income

Description of the management judgement

To ensure that the calculation of accrued and deferred income ensures that income is allocated to the correct accounting period.

How our audit addressed this area of management judgement

We reviewed any provisions for accrued and deferred income to ensure that they meet the criteria of entitlement and measurement at the balance sheet date. We tested the calculations of material accruals and prepayments to ensure that costs are allocated to the correct accounting period.

Audit conclusion

Our audit work did not identify any material errors with accrued and deferred income

2. SIGNIFICANT FINDINGS

Capitalisation of fixed assets

Description of the management judgement

To ensure that the correct allocation has been made within the financial statements for the treatment of capital items purchased during the year.

How our audit addressed this area of management judgement

We reviewed the methodology that has been used to ensure that this is appropriate for accounting for assets and in line with relevant accounting standards.

Audit conclusion

The capitalisation policy is deemed to be reasonable and in line with the relevant accounting standards.

Donated assets

Description of the management judgement

To ensure that the assumptions for these calculations are appropriate.

How our audit addressed this area of management judgement

We reviewed the calculations and performed reviews to ensure the assumptions used were appropriate. We reviewed the basis of the calculation to ensure it was in line with sector guidance.

Audit conclusion

Our audit work did not identify any issues with the calculations.

2. SIGNIFICANT FINDINGS

Accounting policies and disclosures

We have reviewed Lincoln Anglican Academy Trust' accounting policies and disclosures and concluded they comply with the requirements of the Academies Accounts Direction 2018 to 2019, the Charities SORP 2015 and the Companies Act 2006.

Audit Approach

Our audit was undertaken in line with the audit approach set out in our Audit Strategy Memorandum.

The financial statement materiality was set based on a benchmark of 2% of total revenue expenditure. No changes to materiality were noted at the final audit.

Significant matters discussed with management

Local Government Pension Scheme

1. On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

2. On 28 June 2019, the Supreme Court upheld the ruling made in December by the Court of Appeal that the government had discriminated against judges and firefighters on the grounds of age, race and equal pay in relation to 2015 changes to their pensions ('McCloud'). The ruling creates liabilities to pay additional benefits to relevant members and, as such, it was expected that employers would take this into account when obtaining valuation reports from their actuaries.

We have discussed with management the potential impact of the GMP and McCloud judgements.

For GMP the actuaries have not included any impact within their FRS 102 s.28 report for the Trust. We do not agree with this treatment and estimate that the potential impact of GMP would be approximately £46k (0.3% of gross scheme liabilities). We have included this amount as a potential adjustment in section 5.

For McCloud the actuaries have included £78k as a "past service charge" within their FRS 102 s.28 report for the Trust. We believe this to be reasonable. We therefore consider that the LGPS deficit as included within the Trust financial statements is not materially misstated.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

2. SIGNIFICANT FINDINGS

Regularity assurance engagement findings and conclusions

Our regularity assurance engagement was conducted in accordance with the Academies Accounts Direction 2018 to 2019, issued by the Education and Skills Funding Agency.

The Academies Accounts Direction 2018 to 2019 sets out the framework and reporting requirements on the statement of regularity, propriety and compliance and the Board of Trustees responsibilities and the scope of our work in our role as independent reporting accountant.

We are required to report to the Board and the Secretary of State for Education acting through the Education and Skills Funding Agency whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

We are required to report to you by way of management letter instances of irregularity that have been identified during the course of our engagement that we conclude are not material by virtue of value or nature, either individually or in aggregate, or does not relate to transactions underlying the annual accounts.

We did not identify any instances of irregularity through the course of this engagement.

3. INTERNAL CONTROL RECOMMENDATIONS

Recommendations relating to the financial statements

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

3. INTERNAL CONTROL RECOMMENDATIONS

Other recommendations in internal control – Level 3

Description of deficiency

We identified one instance of an employee not having signed a contract of employment.

Potential effects

Incorrect personnel files may lead to fraudulent activities, errors and misstatements.

Recommendation

Whilst we understand that the relevant employee has since signed the contract of employment, we recommend that all personnel files are kept up to date going forward.

Management response

On this occasion a contract was issued, but a signed copy was not obtained promptly. Schools have been reminded and spot checks are being carried out.

3. INTERNAL CONTROL RECOMMENDATIONS

Relating to the 'regularity' assurance work

The purpose of our regularity assurance work is to provide a limited assurance report on the regularity of both income and expenditure. The matters reported below, are limited to those that we have identified during our normal procedures. Our work is not designed to provide an opinion that there are no issues with regards to regularity. If we had performed more extensive procedures, we might have identified more issues to be reported. Our comments should not be regarded as a comprehensive record of all regularity issues that exist.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

3. INTERNAL CONTROL RECOMMENDATIONS

Other recommendations in internal control – Level 3

Description of deficiency

We identified that a number of required disclosures have not been posted to the Academy websites in a timely manner.

Potential effects

Risk of fraud / error.

Recommendation

Ensure appropriate and required documentation is posted.

Management response

Schools have been reminded of their responsibilities and the Governance Officer will be reviewing these websites regularly to ensure compliance.

Follow up of previous internal control points

We did not find any instances of irregularity in the prior year.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment. The table outlines the misstatements that were identified during the course of our audit.

The second table outlines the accounting adjustments that were made during the course of the audit.

We have also reviewed the unadjusted misstatements identified in the prior year and concluded that they have no material impact on the consolidated financial statements to 31 July 2019.

Unadjusted misstatements 2018/19

	SOCl		BS	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
1 Dr Actuary Loss (Past Service Cost)	46			
Cr Pension Liability				46
<i>Being the impact of GMP equalisation which was not included as an assumption by the actuary</i>				
Total unadjusted misstatements	46	-	-	46

4. SUMMARY OF MISSTATEMENTS

Accounting adjustments posted 2018/19

	SOCl		BS		£'000
	Dr £'000	Cr £'000	Dr £'000	Cr £'000	
Total comprehensive income for the year (per first draft TB)					1,821
1 Dr Loan creditor > 1 year			6		
Cr Loan creditor < 1 year				6	
<i>Being the correction of the loan ageing</i>					
2 Dr B/fwd Leasehold cost			297		
Cr b/fwd Freehold cost				95	
Cr B/fwd accumulated depreciation				3	
Dr Depreciation charge				2	
Cr Assets donated on conversion		197			197
<i>Being the correction of the Net Book Value of freehold & leasehold land following valuations of land</i>					
3 Cr Leasehold Buildings cost transferred in				920	
Dr Leasehold buildings accum depn transferred in			113		
Dr Leasehold buildings depn charge			19		
Cr Leasehold buildings depn charge		19			19
Dr Restricted FA fund	807				(807)
<i>Being removal of East Ravendale leasehold buildings transferred in as the buildings are under a CSA</i>					
4 Dr Payroll costs	575				(575)
Dr Actuarial losses on DB pension schemes	2,982				(2,982)
Cr Defined benefit pension liability				(3,557)	
<i>Being movement on defined benefit pension scheme</i>					
Total comprehensive income for the year after adjustments					(2,327)

Disclosure amendments

None noted.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTERS

Mazars LLP

58 The Ropewalk

Nottingham

NG1 5DW

Date:

Dear Sirs / Mesdames

Lincoln Anglican Academy Trust - audit for year ended 31 August 2019

This representation letter is provided in connection with your audit of the financial statements of Lincoln Anglican Academy Trust for the year ended 31 August 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Companies Act 2006, the Charities SORP 2015, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, the Academies Accounts Direction 2018 to 2019 and the Academies Financial Handbook 2018 issued by the Education & Skills Funding Authority (ESFA).

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information

We believe that we have fulfilled our responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Companies Act 2006 and relevant legislation, United Kingdom Accounting Standards, the Academies Accounts Direction 2018 to 2019 and the Academies Financial Handbook 2018 issued by the ESFA.

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the trust you determined it was necessary to contact in order to obtain audit evidence.

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APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTERS

We confirm as directors that we have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

We have made you aware of any instances of non-compliance with either our funding agreement or the Academies Financial Handbook.

Accounting records

We confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and directors' meetings, have been made available to you.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with the requirements of with Paragraph 3 of Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), the Academies Accounts Direction 2018 to 2019 and the Academies Financial Handbook 2018 issued by the ESFA and consider these policies appropriate to faithfully represent the effects of transactions, other events or conditions on the trust's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

We confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the trust have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, the Academies Accounts Direction 2018 to 2019 and the Academies Financial Handbook 2018 issued by the ESFA.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTERS

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

We acknowledge our responsibility as directors of the trust, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related and connected party transactions

We confirm that all related and connected party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, the Academies Accounts Direction 2018 to 2019 and the Academies Financial Handbook 2018 issued by the ESFA.

We have disclosed to you the identity of the trust's related parties and all related party relationships and transactions of which we are aware.

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the trust's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTERS

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, the Academies Accounts Direction 2018 to 2019 and the Academies Financial Handbook 2018 issued by the ESFA, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

To the best of our knowledge there is nothing to indicate that the trust will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Director

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTERS

Mazars LLP
58 The Ropewalk
Nottingham
NG1 5DW
Date:

Dear Sirs / Mesdames

Lincoln Anglican Academy Trust - Regularity Assurance Engagement for the year ended 31 August 2019 – Letter of representation

This representation letter is provided in connection with your Independent Reporting Accountant's Assurance Report on regularity to Lincoln Anglican Academy Trust and the Education and Skills Funding Agency.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for Regularity

I acknowledge as Accounting Officer my responsibility under the requirements of the Lincoln Anglican Academy Trust' funding agreement with the Secretary of State for Education and the Academies Financial Handbook extant from 1 September 2018, for ensuring that expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the regularity statements such as records, documentation and other material;
- additional information that you have requested from myself for the purpose of your review; and
- unrestricted access to individuals within the trust you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Accounting Officer that I have taken all the necessary steps to make myself aware, as Accounting Officer of any relevant information and to establish that you, as Reporting Accountants, are aware of this information.

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APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTERS

As far as I am aware there is no relevant information of which you, as Reporting Accountants, are unaware.

I am not aware of any other instances of non-compliance with the Academies Financial Handbook extant from 1 September 2018 and the ‘musts’ checklist except for those already disclosed to you.

Accounting records

I confirm that all transactions that have a material effect on the regularity statements have been recorded in the accounting records and are reflected in the regularity statements. All other records and related information, including minutes of all management and trustee meetings, have been made available to you.

Fraud, laws and regulations, and whistleblowing

I have disclosed to you all knowledge of fraud or suspected fraud affecting the entity involving:

- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

I am not aware of any other irregularities or possible non-compliance with laws and regulations or the funding agreement which might result in the Academy Trust suffering penalties or other loss. Nor am I aware of any allegations of such irregularities or non-compliance.

I am not aware of any whistle-blowing allegations or investigations.

Contingencies

The Academy Trust has given no guarantees, letters of comfort, or indemnities that would incur contingent liabilities for the Academy Trust.

Campaigning and fundraising activities

The Academy Trust has made no use of funds for political or campaigning purposes that would not be permitted by charity law.

The Academy Trust has not undertaken any fundraising activities that are restricted by the Charity Commission under publication CC20.

Related party transactions

I confirm that all related and connected party relationships, transactions and balances have been appropriately accounted for and disclosed.

Yours faithfully

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APPENDIX B – DRAFT AUDIT AND ASSURANCE REPORTS

Independent auditor's report to the members of Lincoln Anglican Academy Trust

Opinion

We have audited the financial statements of Lincoln Anglican Academy Trust ("the 'Academy Trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Lincoln Anglican Academy Trust' affairs at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2018 to 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Trustees' view on the impact of Brexit is disclosed on page xx.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Lincoln Anglican Academy Trust' operations, service users, suppliers and the wider economy.

We considered the impact of Brexit on the Lincoln Anglican Academy Trust as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Lincoln Anglican Academy Trust future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Academy Trust and this is particularly the case in relation to Brexit.

APPENDIX B – DRAFT AUDIT AND ASSURANCE REPORTS

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Academy Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditors' reports thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report including the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report including the incorporated Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the incorporated Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

APPENDIX B – DRAFT AUDIT AND ASSURANCE REPORTS

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page [X], the Trustees (who are directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Academy Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Academy Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Academy Trust's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy Trust's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the Academy Trust's members as a body for our audit work, for this report, or for the opinions we have formed.

David Hoose (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Address

Date

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APPENDIX B – DRAFT AUDIT AND ASSURANCE REPORTS

Independent Reporting Accountant’s Assurance Report on Regularity to Lincoln Anglican Academy Trust and the Education & Skills Funding Agency

In accordance with the terms of our engagement letter dated 30 August 2019 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Lincoln Anglican Academy Trust during the period 01 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Lincoln Anglican Academy Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Lincoln Anglican Academy Trust and the ESFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lincoln Anglican Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Lincoln Anglican Academy Trust’ Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Lincoln Anglican Academy Trust’ funding agreement with the Secretary of State for Education dated March 2018 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession’s ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Planning our assurance procedures including identifying key risks;
- Carrying out sample testing on controls;
- Carrying out substantive testing including analytical review; and
- Concluding on procedures carried out.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signature

Reporting Accountant

Mazars LLP

Date

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APPENDIX C - INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

APPENDIX D – FORTHCOMING ACCOUNTING AND OTHER ISSUES

There are a number of accounting and other issues on the horizon of which you should be aware. Please do let David Hoose know if you would like to discuss any of these emerging issues further.

ACADEMIES FINANCIAL HANDBOOK – EFFECTIVE FROM 1 SEPTEMBER 2019

Key changes from the previous edition (as extracted from the “2019 Academies Financial Handbook”)

- Updated information about Trustees including emphasis on robust governance
- More about the clerk to the board
- Links to information on good estates management
- More about the requirements for producing management accounts including what they contain
 - i) The format of management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.
- More information on gender pay gap reporting
 - i) The trust is reminded of requirements under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for organisations with 250 or more employees to publish information on their website and on the government’s reporting website about the gender pay gap in their organisation.
- More about ensuring senior employees are on payroll
 - i) Senior managers with significant financial responsibilities should be exclusively on payroll, and therefore subject to Pay As You Earn with income tax and NI contributions deducted at source.
- Mandating a risk register
- More about whistleblowing
- More about notifying the Department of information about key individuals, including contact details for all members and Trustees
 - i) The records required in the governance section of the DfE’s Get Information about Schools (GIAS) register are (including direct contact details);
 - a) Members
 - b) Chair of Trustees
 - c) All other Trustees
 - d) Accounting Officer
 - e) Chief Financial Officer

For Multi-Academy Trusts this will include each Headteacher, Chair of the local Governing body and local Trustees.

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APPENDIX D – FORTHCOMING ACCOUNTING AND OTHER ISSUES

ACADEMIES FINANCIAL HANDBOOK – EFFECTIVE FROM 1 SEPTEMBER 2019 - continued

- Additional information to maintain internal scrutiny over controls and risks, including the role of the audit committee, and a new requirement to send an annual internal scrutiny report to ESFA
 - i) In MATs, the committee’s oversight must extend to the financial and other controls and risks at constituent academies.
 - ii) Oversight must ensure information submitted to DfE and ESFA that affects funding, including pupil number returns and funding claims (for both revenue and capital grants) completed by the trust and (for MATs) by constituent academies, is accurate and in compliance with funding criteria.
 - iii) The trust must submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to the ESFA by 31 December each year when it submits its audited annual accounts. The trust must also provide ESFA with any other internal scrutiny reports if requested.
- Emphasising trusts’ audited accounts must be provided to the members
- Emphasising the need for prior ESFA approval for certain financial transactions
- Providing additional clarification on the reporting and approval of related party transactions
- A requirement for trusts under a financial notice to improve to publish it on their website
- Listing the delegated authorities revoked if under a financial notice to improve
- More about how the Secretary of State may intervene over concerns about an individual managing an academy trust

APPENDIX D – SECTOR UPDATE

CHARITIES SORP UPDATE

New Charities (FRS102) SORP needs to be implemented from 1 January 2019 - effective for year ends 31 December 2019 onwards (earlier adoption is permitted). The changes are set out in an “Charities SORP Update Bulletin 2” published on 5 October 2018. The Update Bulletin amends the text of the underlying SORP for changes in Accounting Standards and legislation subsequent to the SORP’s issue. The principal changes arise from “*Amendments to FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017- Incremental improvements and clarifications.*”

The amendments have been split onto three categories; “*clarifying amendments*” (which sets out amendments to the Charities SORP (FRS 102) which ensures that the Charities SORP (FRS 102) is consistent with existing requirements of FRS 102), “*significant amendments*” (those likely to have an impact on the accounts of charities) and “*other amendments*” (which are likely to have an impact on the accounts of only a limited number of charities). A summary of the changes is as follows;

Clarifying amendments

- Module 3 (Accounting Standards): Insertion of an additional paragraph re “comparative information” – stating requirement for comparative information for all amounts (and thus a required disclosure of detailed comparative figures split between restricted and unrestricted income/expenditure for all notes as well as the Statement of Financial Activities)
- Module 5 (Revenue recognition): Requirement for gift aid payments to be accounted for consistently with dividends (The parent charity’s right to receive payment is established when the subsidiary has a legal obligation to distribute its profits to its owners at the reporting date – therefore gift aid should not be accrued without a legal obligation existing)
- Module 10 (Balance Sheet): Amendment to remove the undue cost or effort exemption for depreciating assets comprising of two or more major components which have substantially different useful economic lives
- Module 13 (Post Balance Sheet Events): Clarifying when payments by subsidiaries to their charitable parents that qualify for gift aid are adjusting events which occur after the end of the reporting period (only when there is a legal not simply a constructive obligation)

Significant amendments

- Module 10 (Balance Sheet): Amended to introduce an accounting policy choice which allows charities which rent properties to other group entities to measure those investment properties at either cost (less depreciation and impairment) or fair value
- Module 10 (Balance Sheet): Charities holding investment properties must also disclose;
 - The methods and significant assumptions applied in determining the fair value of investment property
 - The extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant qualification
 - The existence and amounts of any restrictions on the ability to realise investment property
 - Any contractual obligations for the purchase, construction and development of investment property or for repairs, maintenance or enhancements
 - The carrying amount at the end of the reporting period of investment property rented to another group entity (where the charity has chosen to account for such property using the cost model)
- Module 10 (Balance Sheet): Removal of the requirement to disclose the amount of stock recognised as an expense in the notes to the accounts

APPENDIX D – SECTOR UPDATE

CHARITIES SORP UPDATE

Significant amendments (cont'd)

- Module 10 (Balance Sheet): The notes to the accounts must disclose;
 - The accounting policies adopted in measuring the value of stocks and, if applicable, work in progress and any cost formulae used
 - The carrying amount of stocks and, if applicable, work in progress analysed between activities
 - Any charges for impairment or reversal of impairment losses
 - The carrying amount of any stocks pledged as security for liabilities
- Module 14 (Statement of Cashflows): Amended to introduce the requirement for a reconciliation of net debt to be prepared as a note to the statement of cash flows

Table 10A: Analysis of changes in net debt

	At start of year	Cash-flows	Acquisition/disposal of subsidiaries	New finance leases	Fair value movements	Foreign exchange movements	Other non-cash changes	At end of year
	£	£	£	£	£	£	£	£
Cash	x	(x)	-	-	-	-	-	x
Cash equivalents	x	(x)	-	-	-	x	-	x
Overdraft facility repayable on demand	(x)	(x)						(x)
		(x)						
Loans falling due within one year	(x)	(x)	(x)	-	-	-	x	(x)
Loans falling due after more than one year	(x)	(x)	(x)				(x)	(x)
Finance lease obligations	(x)	x	(x)	(x)	-	-	-	(x)
TOTAL	(x)	(x)	(x)	(x)	x	x	-	(x)

- Module 27 (Mergers): Charity Mergers – amended to include the transfer of activities to a wholly-owned subsidiary undertaking as an example of a charity reconstruction that may be accounted for as a merger
- Appendix 1 (Glossary of Terms) – Introduces a definition of the term “service potential”

Other amendments

- Module 11 (Accounting for financial assets and financial liabilities): Replaces a reference to investments in non-convertible preference shares and non-puttable ordinary shares, to non-derivative instruments that are equity of the issuer
- Charities are encouraged to make additional disclosures where they hold financial instruments and the risks arising from these are particularly significant
- Module 18 (Heritage Assets): Heritage assets donated to the charity should be recognised initially at their fair value where practicable
- Module 24 (Groups): A subsidiary may be excluded from consolidation when its inclusion is not material for the purpose of giving a true and fair view (but two or more subsidiaries must only be excluded if they are not material when taken together)

APPENDIX D – SECTOR UPDATE

Charity Digital Code of Practice

The charity digital code of practice launched on 15 November setting out 7 best practice principles (its not a regulatory document) for charities registered in England, Wales and Scotland;

- **Leadership** - charity leaders must lead on digital as a way of helping their charities be relevant and sustainable
- **User led** – making the needs of beneficiaries the starting point for everything that is done digitally
- **Culture** – making the right environment for digital success
- **Strategy** – charities strategies should be ambitious about how they can use digital to achieve their vision and missions
- **Skills** – charities should aim for digital skills to be represented at all levels of the organisation
- **Managing risks and ethics** – charities need to determine and manage any risks involved in digital
- **Adaptability** – charities will need to adapt to survive and thrive as digital changes how everyone lives and works

HMRC – gift aid schedule completion guidance

On 15 November HMRC updated their claim gift aid online guidance, in addition to publishing a new step-by-step guide entitled “How to complete your gift aid donations schedule” to support charities in submitting gift aid claims successfully online – see link <https://www.gov.uk/claim-gift-aid-online>

Charity Commission – changes to charity details online

The Charity Commission have changed the way charities update their details on the commission’s online register. A Trustee’s full legal name will now need to be shown on the register, instead of a “public display” name which they may have done previously. The Charity Commission have said “If current Trustees have used the display name feature, this will be removed on 1 April 2019 and their legal name will show to the public. If this would cause personal danger to a person they can apply for a dispensation and we will assess their case.”

Quality and transparency has fallen in charity accounts

A recent Charity Commission review of charity accounts has found that just over half of charities are meeting the public benefit reporting requirements. Just 70% of Trustees’ annual reports and accounts in the public reporting review met the basic benchmark of user requirements, the main reasons being;

- failure to evidence that accounts had been subject to independent scrutiny by an auditor or independent examiner, as required by law
- not providing meaningful information about their charity’s purposes or the activities carried out to achieve these purposes

Trustees are falling short on the requirements to explain activities carried out by the charity to further its purposes for public benefit, and to provide a public benefit statement. The Charity Commission wants charities to be clearer about who they help and what difference they are making.

Making Tax Digital

For VAT periods ending on or after 1 April 2019, most VAT registered entities with taxable turnover above the VAT threshold (£85,000) will need to keep their records digitally and send their VAT return data to HMRC using MTD-compatible software. The exception to this is a small minority of VAT registered entities with more complex requirements, where the rules will apply from 1 October 2019.

APPENDIX D – SECTOR UPDATE

Accounts Monitoring Review: Reserves policies – demonstrating and building resilience

The Charity Commission has carried out a review of charities reserves because they consider setting and monitoring a policy is an important part of maintaining a charity’s financial resilience. They cite other reviews of reserves reporting, such as a Civil Society article which states that the largest charities are overstating free reserves by 20%.

All registered charities must explain their policy on reserves in their Trustees’ annual report, stating the level of reserves held and the reason why they are held. Charities with incomes over £500,000 should expand their review of the charity’s reserves, for example by comparing the level of reserves with the charity’s policy and explaining what steps are being taken to bring them into line with it, where relevant.

Key findings – whether charities had explained their reserves policies

97% of charities reviewed included at least a reference to their reserves policy. However, more than a third of the charities’ explanations of their reserves policies did not provide all of the basic information required. The level of reserves held was the most common omission.

Does the Trustees’ annual report?	% of charities
Explain the charity’s policy on reserves?	92%
State the level of reserves held?	67%
State why reserves are held?	90%
Meet all three requirements	64%

Trustees took a wide range of approaches to their reserves policy disclosures. At one end of the range were cursory statements of one or two sentences that gave little insight into Trustees’ thinking. At the other end of the range were lengthy discussions of various funds, which were difficult to grasp. The best reserves policy disclosures gave confidence that the Trustees had assessed both the risks that their charity faced and the charity’s ability to manage their financial impact.

Charity Commission guidance “Charity Reserves: building resilience” sets out a process for calculating the level of reserves. They have calculated that less than 25% of charities had stated the correct figure in their Trustees’ report (from the sample reviewed).

The reserves figure in the Trustees’ annual report	% of charities
Was not stated	33%
Did not deduct fixed assets held for charity use	30%
Deducted fixed asset investments	3%
Included restricted funds	3%
Was shown as net current assets	5%
Did not appear to relate to figures in the accounts	4%
Was calculated in accordance with Charity Commission guidance	22%
Total	100%

Charities with an income over £500,000 are required to provide their reserves figure in their annual return. Only 17% of the figures given in the annual returns were correct, indicating that the Trustees of this section of their sample did not fully understand what reserves are.

The Charity Commission expects the reserves policy and level of reserves held to form a key part of the Trustees’ assessment of going concern, alongside a review of cash balances and likely cash flows.

APPENDIX D – SECTOR UPDATE

Are we financially strong enough to continue to provide services for our beneficiaries?

Have we reviewed any contracts to deliver public services?

Do we have adequate safeguards in place to prevent fraud?

What is our policy on reserves?

Are we an effective trustee body?

Are we making the best use we can of our property?

Have we reviewed our contractual commitments?

Do we know what impact the social and/or economic climate is having on our donors and support for our charity?

Are we making the best use of the financial benefits we have as a charity?

If we have a pension scheme, have we reviewed it recently?

How can we make best use of any permanent endowment investments we hold?

Have we considered collaborating with other charities?

What effect is the current economic climate having on our charity and its activities?

Are we making the best use of our staff and volunteers?

Are we satisfied with our banking arrangements and our current and future investment policy?

15 questions trustees should ask

CHARITY COMMISSION FOR ENGLAND AND WALES