

Management letter

Prepared for the board of trustees of
Changing Lives in Collaboration

For the year ended 31 August 2023



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1. Introduction

We are pleased to set out in this document our report to the trustees of Changing Lives In Collaboration for the year ended 31 August 2023.

Our responsibilities as auditors are set out in the International Standards on Auditing (UK and Ireland) ("ISAs"). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We have carried out our audit in accordance with the terms of our engagement letter dated 2 October 2023 in order to express an audit opinion for UK statutory purposes on the financial statements of Changing Lives In Collaboration for the year ended 31 August 2023. We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our audit plan letter dated 6 September 2023, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

In this report, we present the key findings from our audit, together with a commentary on the significant matters arising. The matters that have been reported are limited to those deficiencies identified during the audit which we have concluded are of sufficient importance to bring to the attention of those charged with governance. This report has been discussed comprehensively and agreed with Lily Mehrabyan (Head of Finance) and Jo Sands (Chief Operations Officer).

This report has been prepared for the sole use of the trustees of Changing Lives In Collaboration. We understand that you are required to provide a copy of this report to the Education & Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by DJH Mitten Clarke towards any party acting or refraining from action as a result of this report.

We would like to express our thanks to all members of the academy trust's staff who assisted us in carrying out our work.

2. Statutory audit communication

2.1 Objectivity and independence

We conducted our audit in accordance with the Code of Ethics of the Institute of Chartered Accountants in England & Wales and the Ethical Standards published by the United Kingdom Auditing Practices Board. We have considered our independence and objectivity in respect to the audit for the year ended 31 August 2023.

In addition to auditing the financial statements we also provided, through other individuals, the following services to Changing Lives In Collaboration for the year ended 31 August 2023

- Preparation of the statutory financial statements.
- Audit of the EOYC return.
- Preparation of the Annual Accounts Return.

We have outlined below the safeguards that we have put in place to ensure that these services provided in 2022/23 do not cause any breaches in our independence and objectivity in relation to the audit.

Non audit services provided	Safeguards put in place to reduce the threat to our integrity, independence and objectivity
Preparation of the statutory financial statements	Internally the accounts are reviewed by a separate individual from those who have prepared the financial statements. The accounts are reviewed in full by those charged by governance of the academy trust to ensure they comply with ESFA guidance. Any accounting judgements required are made by the audit client.
Preparation of the Annual Accounts Return	The return is prepared from data in the statutory financial statements and as such is covered by those safeguards above.
Audit of the EOYC return	This service is provided by a separate individual from those who have audited the financial statements.

The following fees have been charged for our audit services:

- Audit of financial statements - £18,000
- Annual accounts return - £2,250
- Other services - £750

To maintain our independence as auditors we can also confirm that:

- DJH Mitten Clarke, its directors and the audit team have no family, financial, employment, investment or business relationship with the company; and
- Audit and non-audit fees paid by the company do not represent a significant proportion of total fee income for either the firm or office.

We confirm that, in our professional judgement, the firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Legal and regulatory requirements

In undertaking our audit work we considered compliance with the following legal and regulatory requirements, where relevant:

- Companies Act 2006.
- Charities Act 2011.
- Academies Act 2010.
- Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

- Academies Accounts Direction 2022 to 2023.
- Academy Trust Handbook 2022.
- Statement of Recommended Practice, Accounting and Reporting by Charities (FRS 102).
- Applicable accounting standards.

2.2 Audit approach and materiality

Our audit planning has taken account of the issues highlighted through discussions with Lily Mehrabyan (Head of Finance) and Jo Sands (COO), together with our knowledge and understanding of the academy trust.

We confirm that there were no restrictions on the scope of our audit procedures and we have been able to undertake our work as set out in our planning meeting.

In our planning we have taken account of the results of our risk assessments made in accordance with the guidance set by the ISAs. Our consideration of high risk areas is documented in full within section 3 of this report.

Based on this rigorous process we have used our professional judgement and formed a materiality level. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements and the value at which if errors, on their own or in aggregate, were uncorrected would result in a potential qualified audit opinion. The audit materiality of the financial statements as a whole has been set at approximately 2% of total incoming resources.

We have considered this level of materiality based on the draft accounts for the year ended 31 August 2023 and are satisfied that it continues to be appropriate.

Underpinning materiality is a level of triviality, £14,808, at which any error or omission in excess of this value is recorded and reported to management.

In planning and carrying out our work, we applied a group materiality level to Changing Lives in Collaboration of £296,152 based on 2% of income.

2.3 Accounting policies

In preparing the financial statements of the academy trust, directors/trustees are required under FRS 102 to review the academy trust’s accounting policies on an annual basis to ensure they remain appropriate to the academy trust’s circumstances and are properly applied.

We have reviewed the accounting policies selected and operated by the academy trust, and are satisfied that they are acceptable.

2.4 Significant findings

Management accounts prepared for September 2022 – June 2023 were not compliant with the requirements of the Academy Trust Handbook 2022. This has resulted in a modification to the regularity assurance report and is discussed further in section 6 of this report.

2.5 Accounting estimates and judgements

The property is recorded in the accounts at valuation. The basis of the valuation is existing use value calculated on a depreciated replacement cost basis.

Depreciation is provided on a straight line/reducing balance basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used were as follows:

Leasehold land	125 years straight line
Leasehold buildings	50 years straight line
Fixtures, fittings & equipment	20% reducing balance
Computer equipment	3 years straight line
Assets under the course of construction	nil until brought into use.

2.6 Funding position at 31 August 2023

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objects of the academy trust and are restricted to both the day to day running of the academy trust and capital expenditure. The balance carried forward on this fund is a surplus of £101,000, being £101,000 pension asset.

Restricted fixed asset funds are those funds relating to the long term assets of the academy trust used in delivering the objectives of the academy trust. The balance carried forward on this fund is £45,471,968. Additional analysis of this fund by nature has been provided to comply with the Academies Accounts Direction.

Unrestricted funds are funds to which the governing body may use in the pursuance of the academy trust's objectives and are expendable at the discretion of the trustees. The balance carried forward on this fund is £1,171,621.

Individually, the general reserves carried forward excluding pension deficits and fixed assets in each academy are:

Chorlton Park Primary School	£259,137
Old Moat Junior School	£245,766
Rolls Crescent Primary School	£71,394
Dane Bank Primary School	£26,915
Lily Lane Primary School	£126,563
Crosslee Primary School	£169,163
Central Services	£272,683

2.7 Significant difficulties encountered during the audit

We did not encounter any significant difficulties during the audit.

2.8 Accounting and financial control systems

During our audit we examined the design and implementation of the internal controls relevant to the accounting systems and procedures.

The review of internal controls was carried out with a view to expressing an opinion on the financial statements for the year and was not directed primarily towards discovering weaknesses or towards the detection of fraud. Therefore our comments on these systems include only those matters that have come to our attention as a result of our normal audit procedures, and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made. Please refer to section 4 of this report.

2.9 Management representations

We include a copy of the draft management representation letter. There are certain specific representations which we are required by auditing standards to obtain from management as part of our audit procedures. In addition, we are required to obtain other representations on matters material to the financial statements where other sufficient appropriate audit evidence cannot be reasonably expected to exist.

2.10 Audit opinion

Based upon the findings and conclusions of our work, we expect to issue an unqualified audit opinion the financial statements.

3. High risk audit areas

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Fund Accounting</p> <p>The accounts include a number of restricted and unrestricted funds and the audit risk is that income and expenditure is not correctly allocated to the correct fund.</p> <p>Funding providers will impose restrictions on the use of funds given to the academy trust. Such funds should be allocated to the statement of financial activities in accordance with guidance by individual funders.</p>	<p>Incorrect disclosure of restricted and unrestricted reserves in the financial statements.</p>	<p>We reviewed the nature and purpose of each fund in line with supporting documentation and tested a sample of transactions to ensure that they are allocated to the correct fund.</p> <p>Reviewed income and expenditure headings on a line by line basis to ensure compliance with the Academies Accounts Direction.</p>	<p>There are no uncorrected material mis-statements in respect of the allocation between restricted and unrestricted reserves in the financial statements.</p> <p>No issues were found during our income and expenditure testing.</p> <p>Restricted and unrestricted income and reserves appear appropriate.</p>
<p>Completeness of payroll costs</p>	<p>The payroll function is outsourced. Our knowledge of the academies market has shown some error risk posed over outsourced payrolls.</p>	<p>We performed analytical procedures to ascertain whether the salary costs for the year were in line with our expectations. We carried out a reconciliation between the staff costs in the financial statements and the payroll summaries. In addition, tests of control to ensure key controls are being adhered to.</p>	<p>Payroll costs in the financial statements do not appear to be materially mis-stated.</p>

Issue	Audit risk	Audit procedures undertaken	Conclusion
FRS 102 Accounting for Pensions Treatment of the academy trust's share of pension scheme deficits/assets	Incorrect treatment of the pension valuation. Financial statements are not prepared in accordance with sector accounting guidance.	We obtained the FRS 102 pension valuation as at 31 August 2023 and assessed the disclosures and accounting entries made by the academy trust. We confirmed that the basis of valuation was appropriate and that the disclosures made in the financial statements were prepared in accordance with FRS 102 and the sector standard as set out in Academies Accounts Direction.	Pension valuation and disclosures in the accounts appear reasonable in line with the valuation received and the Academies Accounts Direction requirements. The pension asset has been recognised in line with FRS102 accounting requirements.
Management override of internal controls	Potential risk of management override of internal controls (this being a presumed risk inherent within current auditing standards).	A suitable level of professional scepticism was applied throughout all areas of audit testing. We reviewed manual journals and accounting estimates such as accruals and provisions and consider any pressures on management to achieve results.	No evidence of management override was found during our audit procedures.

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Revenue recognition in respect of ensuring that all income received by the academy trust is recognised in the correct period.</p> <p>The cut off on income needs to be established correctly to ensure that the academy trust's income is not over or understated.</p> <p>Completeness of income is to be established to ensure all income receivable in the year has been recognised appropriately.</p>	<p>Grant/other income not being recognised in accordance with the Charity SORP (FRS 102) recognition criteria and per the underlying funding agreement.</p>	<p>The accounting policies adopted by the academy were reviewed, considering the guidance available in Charity SORP (FRS 102) and the recognition criteria of entitlement, certainty and measurement.</p> <p>A review of grant funding agreements was performed to determine whether the grant income had been recognised in the appropriate period.</p> <p>Discussions were held with management and meeting minutes reviewed to identify any unexpected one-off sources of income and to ensure that the accounting treatment is appropriate.</p>	<p>Income appears to have been appropriately recognised by the academy trust.</p> <p>The revenue recognition policy appears appropriate and in line with the Academies Accounts Direction.</p>

Issue	Audit risk	Audit procedures undertaken	Conclusion
Going concern	It is the responsibility of the trustees to assess the ability of the academy to continue as a going concern for a period of not less than 12 months following the anticipated date of sign off. This is a key risk given the current economic climate and pressures on government spending.	<p>We have reviewed the considerations of management including cash flow forecasts and budget reports in relation to the going concern assumptions made.</p> <p>We have confirmed grant funding to supporting statements.</p>	We concur with the trustees' decision that going concern is an appropriate basis on which to prepare the accounts.
Payments made to related parties	That payments made to related parties are not in line with current guidance and the latest Academy Trust Handbook by being made at cost.	All related party transactions that have been identified have been reviewed to ensure that the most recent guidance has been followed correctly and that relevant documentation has been seen to prove this. Signed statements of assurance have been obtained.	Related party transactions have been disclosed appropriately in the financial statements.

Issue	Audit risk	Audit procedures undertaken	Conclusion
Fixed asset valuation and impairment	<p>That assets inherited on conversion are incorrectly valued.</p> <p>Where CIF projects are on-going, that these costs are capitalised and recognised as assets under construction appropriately.</p> <p>Compliance with FRS102 in carrying out impairment reviews where impairment indicators arise, such as going concern.</p>	<p>We have performed calculations on asset values on conversion to verify the amounts stated in the financial statements.</p> <p>We have performed cut off testing on capital projects on-going around the year end.</p> <p>We have considered whether any impairment indicators have arisen in the year and assessed the need for an impairment review.</p> <p>We have physically verified assets brought forward in the financial statements. We have verified a sample of asset additions to supplier invoices.</p>	<p>Fixed assets in the financial statements are appropriately valued at cost and depreciated accordingly.</p> <p>Additions have been identified in the year and capitalised appropriately to the correct category.</p> <p>No impairment indicators have arisen in the year.</p>

Issue	Audit risk	Audit procedures undertaken	Conclusion
Conversion of new academies into the trust	New academies converting into the trust is inherently a risk due to the material nature of balances transferred on conversion. Balances transferred on conversion must be classified as restricted or unrestricted appropriately.	We have reviewed supporting documentation regarding the balances recognised on conversion. We have vouched correspondence from the local authority regarding the amounts transferred on conversion. We have assessed the control environment and governance surrounding the new academies in the trust.	Schools which have joined the trust in the year have been accounted for appropriately.

4. Report of significant weaknesses in systems and internal controls

4.1 Introduction

We set out below the significant matters we became aware of during our audit, which relate to the effectiveness of the company's accounting and financial control systems. We have used the following grading system to indicate the significance of the issues we have raised and the priority that we believe should be given to our recommendations.

Rating	Description
High	<p>Should be urgently attended to by the directors and management.</p> <p>These are significant issues that may result in a qualification in the audit report in future periods if not satisfactorily addressed.</p>
Moderate	<p>Issues requiring the attention of the directors and management.</p> <p>Issues ranked as moderate require close monitoring by the board and senior management to ensure timely resolution.</p>
Low	<p>Issues requiring management attention and correction.</p> <p>Issues ranked as low are generally routine in nature and should be resolved by general management.</p> <p>The board and senior management should be aware of these issues to enable monitoring of progress with their resolution. These issues may be reported to management in less detail than more highly rated issues.</p>

	Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
1	During the accounts preparation process many reallocations were required between income nominal codes.	Income streams may not be accurately reported to trustees and in ESFA returns during the year and decisions based on income streams may be taken in error based on incorrect information.		The nominal ledger should be expanded to include more income codes. Care should be taken when postings are made to the nominal ledger.	LM	As soon as possible.
2	Whilst completing our expenditure walkthrough testing, Crosslee Primary School was noted to not be following the procedures as set out in the finance manual as a purchase order had not been raised for the item tested.	Non-compliance with the academy trust's finance manual. There is a risk of overspend on the budget and a potential risk of occurrence of fraud.		All staff involved in the purchasing process should be reminded of the procedures required of them as stated in the academy trust's finance manual.	LM	As soon as possible.

	Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
3	<p>It was noted that the procurement policy is not always followed as required by the finance manual in obtaining value for money on large transactions.</p> <p>1 instance of non-compliance was noted at Dane Bank Primary School.</p> <p>1 instance of non-compliance was noted at Rolls Crescent Primary School.</p> <p>4 instances of non-compliance were noted at Lily Lane Primary School.</p> <p>1 instance of non-compliance was noted at Chorlton Park Primary School.</p>	Non-compliance with the academy trust's finance manual which could lead to best value for money not being achieved by the academy trust.		All staff involved in the procurement process should be reminded of the procedures required of them as stated in the academy trust's finance manual.	LM	As soon as possible.
4	The pecuniary interest form was not received for trust member M Harding. M Harding has since resigned as a member.	Pecuniary interest forms should be completed by all trustees and members each year, and updated if circumstances change during the year.		Trustee and members should be reminded of the requirement to complete a pecuniary interest form on at least an annual basis.	LM	As soon as possible.

	Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
5	<p>During our testing on purchases a number of instances were identified where procedures as set out in the finance manual were not followed.</p> <p>There were 7 instances of purchase orders being dated after the date of the purchase invoice (Dane Bank 1, Lily Lane 2, Central Services 2, Old Moat 1 & Rolls Crescent 1). There were 2 instances of the purchase order amount being lower than the purchase invoice amount (Dane Bank 1, Lily Lane 1). There were 3 instances of purchases having no purchase order (Crosslee 3).</p>	<p>Non-compliance with the academy trust's finance manual.</p> <p>There is a risk of overspend on the budget and a potential risk of occurrence of fraud.</p>		All staff involved in the purchasing process should be reminded of the procedures required of them as stated in the academy trust's finance manual.	LM	As soon as possible.

	Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
6	To ensure consistency with prior years accounts, unrestricted income has not been matched with unrestricted expenditure, with all the expenditure sitting in restricted funds.	This is a 'housekeeping' point to facilitate accurate fund accounting.		To ensure appropriate fund accounting we would recommend that additional nominal codes be used for expenditure to split out the expenditure relating to self-generated income to be matched against the income.	LM	As soon as possible.

5. Status of audit recommendations from previous year

During the course of the audit we revisited the audit recommendations from the previous year's audit management letter and set out below the status of these recommendations.

Observations in 2022	Update in 2023
Financial Procedures Manual (FPM) section 15.0 Reconciliations. VAT reconciliation procedures refer to 'all 3 schools'.	Finance manual has now been updated to include reference to all schools.
The Register of business interests disclosed on the trust website at the time of undertaking our audit planning was in respect of 2020-21.	No issues in 2023.
For 3 out of 20 items sampled for testing, the requisition and purchase order were not raised or authorised on PS Financials (PSF) due to system server issues.	No issues in 2023.
We understand that each of the schools, except for Chorlton Park, are unable to access PSF for a period of time when returning to school after each holiday due to the server being restarted.	No issues in 2023.
For 1 out of 20 items sampled for testing, the purchase order was raised retrospectively.	This remains a finding in 2023.
For 1 out of 20 items sampled for testing, there was no signed Value for Money (VfM) Statement.	This remains a finding in 2023.
For 1 out of 20 items sampled for testing, there was no evidence that the delivery note had been cross checked to the invoice.	No issues in 2023.

Observations in 2022	Update in 2023
For 1 out of 20 items sampled for testing, only 2 quotations had been obtained.	This remains a finding in 2023.
For 1 out of 32 employees sampled for testing, the employees gross pay paid to the employee in respect of their TLR did not agree to the pay scale/ personnel file.	No issues in 2023.
For 2 out of 32 employees sampled for testing, the documentation in the personnel file did not agree to correct weeks worked and paid.	No issues in 2023.
For 1 out of 32 employees sampled for testing, we were unable to evidence the signed confirmation of contract details in respect of one employee's incremental increase.	No issues in 2023.
For 1 out of 8 petty cash transactions reviewed the transaction exceeded £40.	No issues in 2023.
For 4 out of 5 bank accounts, the bank reconciliation was not performed.	No issues in 2023.
The aged debtor reports do not reconcile to TB, difference of £6,247.	No issues in 2023.
The FPM has two sections with authorised delegation limits which are contradicting.	Finance manual has since been updated.
For 4 out of 5 capital additions reviewed, the invoice was not signed as authorised.	No issues in 2023.
On review of the payroll controls for the remaining months of June, July and August 22 post the Trust finance manager leaving the trust, we found the payroll controls had not been followed in accordance with the trusts procedures.	No issues in 2023.
There have been no management accounts prepared and shared with the chair for the months of Aug, Sept and October 2022.	This remains a finding in 2023 up to the date of appointment of L Mehrabyan being appointed as head of finance.

6. Regularity

The following matters of irregularity, impropriety and non-compliance came to our attention:

	Audit finding	Financial/non financial effect	Recommendation	Responsible Owner	Implementation Date
1	Management accounts were not prepared for every month in 2022/23. For those months that they were prepared, they were not in line with the requirements of the Academy Trust Handbook 2022 which requires an income and expenditure account, including budget v actual, a balance sheet & a cashflow statement. The management information should also include KPIs which are monitored throughout the year.	Non-compliance with ATH. Inaccurate and incomplete financial management information being reported to the trustees.	Since the appointment of the Head of Finance, fully compliant and accurate management accounts have been produced. It is recommended that this continues to be monitored.	LM	Completed

The above matters have been reported to the ESFA and National Audit Office in accordance with the Academies Accounts Direction.

The above matters have been included in the Accounting Officer's Statement on Regularity, Propriety and Compliance.

Appendix

Reconciliation of audited surplus/deficit

The surplus/(deficit) per the financial statements has been derived as follows:

	Statement of financial activities		Balance sheet		Effect on surplus/(deficit) for year
	£	£	£	£	£
Surplus/(Deficit) per draft trial balance					10,607,474

1. Correction to opening funds

Dr	DfE/ESFA capital funds		3	
Cr	Admin supplies	3		
	<i>Correction to opening funds</i>			3

2. Recognition of land and buildings on conversion

Dr	Leasehold land and buildings		1,005,000	
Cr	Conversion - fixed asset fund	1,005,000		
	<i>To recognise land and buildings on conversion</i>			1,005,000

3. Uplift of depreciation following professional valuation on conversion of land & buildings

Dr	Leasehold depn charge - SOFA	2,730		
Cr	Leasehold depn - B/S		2,730	
	<i>To recognise the increase in depreciation following the professional valuation of land & buildings</i>			(2,730)

		Statement of financial activities		Balance sheet		Effect on surplus/(deficit) for year
		£	£	£	£	£
4. Reallocation of Salix loan repayments						
Dr	Govt loans			9,701		
Cr	Income		9,701			
<i>To reallocate Salix loan repayments</i>						9,701
5. Additional top slice invoice not posted - DAB						
Dr	Expenditure	14,444				
Cr	Purchase ledger control account			14,444		
<i>To recognise top slice invoice not posted by client</i>						(14,444)
6. Eliminate trivial difference on top slice debtor and creditor						
Dr	Expenditure	2,889				
Cr	Sales ledger control account			2,889		
<i>To eliminate trivial difference between top slice debtor and creditor</i>						(2,889)
7. To recognise clawback of NTP funding						
Dr	Other DfE/ESFA income	100,775				
Cr	ESFA creditor			100,775		
<i>To recognise the clawback of unspent NTP income</i>						(100,775)

**Statement of
financial activities**

Balance sheet

**Effect on
surplus/(deficit)
for year**

£

£

£

£

£

8. To recognise accrued CIF income

Dr	Accrued capital income		308,434	
Cr	ESFA capital grants	308,434		
	<i>To recognise accrued CIF income</i>			308,434

10. To recognise PTA capital donation as accrued income

Dr	Accrued income		10,000	
Cr	Capital income - PTA	10,000		
	<i>To recognise PTA capital donation as accrued income</i>			10,000

11. Pension posting

Dr	Pension liability		180,000	
Cr	Actuarial gains	180,000		
	<i>To reflect movement in LGPS pension in the year</i>			180,000

Actual Surplus/(Deficit) per financial statements

11,999,774

There are no uncorrected material errors or omissions in isolation or aggregate.

DJH Mitten Clarke Audit Limited
Bridge House
Ashley Road
Hale
Altrincham
WA14 2UT

Dear Sirs

Please see the response to the Management Letter issued on 14th December 2023 in the table overleaf.

Yours faithfully

J. L. Ashcroft

Accounting Officer

Date 20/12/2023

Changing Lives in Collaboration Cooperative Trust
T - 0161 938 1751
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Address: c/o Chorlton Park Primary, Mauldeth Rd West, Chorlton, M21 7HH,
Company Number: 09748195

Responses, Updates on Items on Management Letter 2022/23

	Audit Finding	Potential Effect	Priority	Recommendation	Owner	Implementation Date	Action / Update
1	During the accounts preparation process many reallocations were required between income nominal codes.	Income streams may not be accurately reported to trustees and in ESFA returns during the year and decisions based on income streams may be taken in error based on incorrect information.	Low	The nominal ledger should be expanded to include more income codes. Care should be taken when postings are made to the nominal ledger.	HoF	Asap	A list of new account codes has already been provided to EduFin to set up the new codes. After the new account codes are set up, a correction journal will be posted to transfer the Sep-Nov 23 income to the correct income nominals.
2	Whilst completing our expenditure walkthrough testing, Crosslee Primary School was noted to not be following the procedures as set out in the finance manual as a purchase order had not been raised for the item tested.	Non-compliance with the academy trust's finance manual. There is a risk of overspend on the budget and a potential risk of occurrence of fraud.	Low	All staff involved in the purchasing process should be reminded of the procedures required of them as stated in the academy trust's finance manual.	HoF	Asap	This has been discussed with the CRO staff member who is responsible for raising orders. Monthly checks will be done to identify non-PO invoices. Any findings will be questioned. Newly developed School Onboarding process to include 5 days off site.

	Audit Finding	Potential Effect	Priority	Recommendation	Owner	Implementation Date	Action / Update
3	It was noted that the procurement policy is not always followed as required by the finance manual in obtaining value for money on large transactions. 1 instance of non-compliance was noted at Dane Bank Primary School. 1 instance of non-compliance was noted at Rolls Crescent Primary School. 4 instances of noncompliance were noted at Lily Lane Primary School. 1 instance of non-compliance was noted at Chorlton Park Primary School.	Non-compliance with the academy trust's finance manual which could lead to best value for money not being achieved by the academy trust.	Moderate	All staff involved in the procurement process should be reminded of the procedures required of them as stated in the academy trust's finance manual.	HoF	Asap	<p>The importance of this has already been communicated with the finance staff members of the schools. Large value transactions mainly relate to capital spend. Since Oct 23 capital spend details have been disclosed in the monthly monitoring reports shared with the headteachers and school finance officers. The actual and expected/planned capital spend, the procurement process is discussed during monthly monitoring meetings.</p> <p>The Risk Register has been updated to reflect this finding and this will be discussed at school level on partnership meetings.</p> <p>This finding is on the agenda for January's MLT</p>

	Audit Finding	Potential Effect	Priority	Recommendation	Owner	Implementation Date	Action / Update
4	The pecuniary interest form was not received for trust member M Harding. M Harding has since resigned as a member.	Pecuniary interest forms should be completed by all trustees and members each year, and updated if circumstances change during the year.	Low	Trustee and members should be reminded of the requirement to complete a pecuniary interest form on at least an annual basis	HoF	Asap	This individual stopped responding to communication from CLIC (including emails chasing the completion of this task) to the point their fellow Members were prepared to pursue his removal. Trust staff understand the significance of receiving an annual declaration of interests from each governor, trustee and member. They have improved the process for completion of this annual task so it is quick and easy for governance stakeholders to undertake. Regular audits are undertaken and chasers sent until the task is completed.

	Audit Finding	Potential Effect	Priority	Recommendation	Owner	Implementation Date	Action / Update
5	<p>During our testing on purchases a number of instances were identified where procedures as set out in the finance manual were not followed. There were 7 instances of purchase orders being dated after the date of the purchase invoice (Dane Bank 1, Lily Lane 2, Central Services 2, Old Moat 1 & Rolls Crescent 1). There were 2 instances of the purchase order amount being lower than the purchase invoice amount (Dane Bank 1, Lily Lane 1). There were 3 instances of purchases having no purchase order (Crosslee 3).</p>	<p>Non-compliance with the academy trust's finance manual. There is a risk of overspend on the budget and a potential risk of occurrence of fraud.</p>	Low	All staff involved in the purchasing process should be reminded of the procedures required of them as stated in the academy trust's finance manual.	HoF	Asap	<p>The issue of raising orders after an invoice date has already been communicated with the finance staff members of the schools. Suppliers will be asked to place a PO number on an invoice. Monthly checks will be done to identify and question any PO raised after an invoice date.</p> <p>Control process will be implemented to authorise the invoice which value is over the PO value.</p> <p>The Risk Register has been updated to reflect this finding and this will be discussed at school level on partnership meetings.</p> <p>This finding is on the agenda for January's MLT</p>

	Audit Finding	Potential Effect	Priority	Recommendation	Owner	Implementation Date	Action / Update
6	To ensure consistency with prior years accounts, unrestricted income has not been matched with unrestricted expenditure, with all the expenditure sitting in restricted funds.	This is a 'housekeeping' point to facilitate accurate fund accounting.	Low	To ensure appropriate fund accounting we would recommend that additional nominal codes be used for expenditure to split out the expenditure relating to self-generated income to be matched against the income.	HoF	Asap	<p>This is work in progress. We are currently in the process of setting up new account codes.</p> <p>Some new codes have been set up for new income streams.</p>

