Bishop Fleming

Audit · Accountancy · Tax · Advisory

Key Issues for Discussion Document

Farmor's School
(“The Trust”)

For the Year Year ended 31 August 2025

Management letter points and internal control systems

The Trust's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Board that it has done so. In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit, none of which are considered significant. We would be pleased to discuss further work in this regard with the Board.

KEY:

Financial - Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.
Governance – Observations that are fundamental to good governance and should be addressed immediately to minimise the risk of governance failings.
Regularity – Observations representing a significant and or repeated breach of the terms of the ATH or "musts" that are identified as "not in place". Such breaches may additionally result in the qualification of the regularity assurance report.

Financial - Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.
Governance – Observations that are important to good governance and should be addressed to minimise the risk of governance failings and to help improve procedures.
Regularity – Observations that have resulted in non-compliance with the ATH including "musts" where progress is identified as "working towards". These should be addressed to mitigate the risk of a significant failure to comply with ATH terms in the future.

Financial - Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.
Governance – Observations that if addressed would help to improve and embed good governance practices but is unlikely to lead directly on its own to governance failings.
Regularity - Observations that have resulted in minor non-compliance or non-adherence with "shoulds" as defined in the ATH but is unlikely to lead to a more significant breach on its own.

Observations made in the previous year have been resolved.

Risk Rating	2025	2024
	0	0
	1	2
	4	2
	2	3

Internal financial controls

Our review of the Trust's system of internal control is carried out to assist us in expressing an opinion on the financial statements of the Academy as a whole. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist. Accordingly, we refer only to significant matters which have come to our attention during the course of our normal audit work and do not attempt to indicate all possible improvements which a special review might reveal.

The following table summarises our significant control observations together with any recommendations we have for possible improvements which could be made.

Current Year Matters

Declarations of interests - governance	
The declarations of interest used throughout the year did not include all potential related parties, as defined by accounting standards (FRS102), the Charity SORP, or the Academies Trust Handbook. In particular the SORP includes a wide definition of related parties, include parents, grandparents, children, grandchildren and siblings of trustees.	**Recommendation** We recommend that all trustees are made aware of the requirements, ensuring that when they complete the declarations, they include all known related parties. Through having a complete list, the Trust will then be able to ensure that any potential related party transactions are managed in advance of any transactions taking place (either accidental or consciously entered into). We would also recommend that the register is circulated at each board meeting, to give the opportunity for any newly identified related parties to be recorded. We would encourage this document to be treated as a live document, and not just updated once a year. **Management comment** The most recently appointed Trustees were requested remotely, as opposed to collected at the first FGB of the year, so were not on file at point of audit. The process to collect will be managed by the new permanent Clerk, who was appointed in September.

Accuracy of budgeting – financial

The final revenue results for the year vs the forecast position submitted to the DfE via the Budget Forecast Return (3YR) contained a significant variance. This can be indicative of inaccurate management accounts/forecasting during the year and may mean that management have not have had accurate information to make informed decisions from.

The budgets submitted in the current year did not include trip income, resulting in an decrease in revenue of £400k

Recommendation

We would recommend that budgets and forecasts are prepared on an accurate accrual's basis, consistent with the year end accounts.

As the year end position is significantly different to that submitted to the DfE, you should consider if there a revised budget should be submitted to the DfE.

Management comment

The revised budget has been submitted to the DfE caseworker.

Hire agreements – income

It was noted from our testing that some of the old hire agreements were not maintained and as such could not be provided for the audit.

Recommendation

We recoment that you centrally maintain scans of hire agreements to ensure they are accessible.

Management comment

The hire agreement documents requested were from 2016, so were shredded in 2023. We have migrated to School Hire so all T&C's and relevant documents will now be processed and retained online.

Prior Year Matters - Unresolved

Fixed Asset Register not maintained

Prior Year Rating:

It was noted that the fixed asset additions purchased in the prior year had not been included on the year end fixed asset register. Alongside this, the depreciation for 22/23 had not been calculated.

Prior year update

The same has been noted for 23/24. It was also noted that the minibuses had been incorrectly posted to prepayments rather than to additions.

Current year update

Depreciation is not calculcated on the fixed asset register. The fixed asset register originally provided did not include the correct value for plant and machinery

Recommendation

Ensure that the fixed asset register is being maintained appropriately throughout the financial year.

Management comment

Depreciation has historically never been calculated on the FAR. We will explore the viability of doing this.

Accounting system issues

Prior Year Rating:

In July 2022 the Trust changed its accounting system to Xero from PS Financials. Having begun the audit it became apparent that the trial balance obtained from the new Xero system was not correct, with significant issues being identified both in the migration of data from PS Financials and postings made to Xero since it came into use. This was most apparent with balance sheet nominal codes which did not include the migration of historic data and significant variances with opening reserves and meant that Trustees were not provided with accurate balance sheet monthly information.

The migration of data and posting of accounting entries into the new system was reviewed and re-posted into Xero, with a second trial balance being produced. This has been tested and appears to include

Recommendation

We recommend that the finance staff ensure they familiarise themselves with Xero software to ensure that all accounting entries in the future, in particular in relation to the balance sheet codes, correctly posted to the system.

Management comment

We have now actioned this, following the meeting with BF, to identify the queried balance sheets codes.

the migration of the correct closing balance sheet position from the old financial system, although some adjustments have been posted as part of our audit to ensure the opening reserves position agrees to the prior year statutory accounts. It became apparent in the prior year that there were duplicated postings leading to errors in the opening balances and other balance sheet figures within the 2023 year. This was led by postings performed by a service organisation, however, there were further postings performed by the finance team that lead to dsicrpeanices. **Prior year update** It was noted in journals testing and testing of balance sheet items (accrued income and accruals) that some historical postings had not been reversed and so have been adjusted for. **Current Year update** It was noted when testing opening balances that some historical postings had not been reversed and so have been adjusted for.	

Prior Year Matters - Resolved

Point 1 **Keeping up to date operating lease schedule**	
	Prior Year Rating:
During the testing of standing orders and direct debits an undisclosed lease was found that was not detailed in the lease schedule provided. The lease was then provided and added to the operating lease commitments note.	**Recommendation** We recommend keeping a schedule of operating leases and checked regularly for any coming to an end that may require new leases. **Management comment** Completed via contract spreadsheet

Schools trips not tendered appropriately

	Prior Year Rating:
In 2023 it was noted during testing that a school trip purchased to the cost of £56k was not appropriately tendered for. One quote was received but as per the finance policy a tendering process should be entered for purchases over £25k. **Prior year update** In 2024 it was noted that there were more school trips but as at the clearance meeting the analysis of the trips was still being undertaken. It had been brought to our attention that the D of E provider was appointed on a 3 year deal in 2022 and the last leader had left and taken access to quote information with them. Management now ensures 3 quotes are received and appointed a new D of E trip leader in the assistant head who wants to set a precedent.	**Recommendation** Ensure that the appropriate tendering processes are being followed in line with the finance policy. **Management comment** Noted and will enforce

This document is confidential to: Farmor's School

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