



Engage Enrich Excel

Audit Findings Memorandum

Audit assignment for the year ended 31 August 2025

An aerial photograph of a winding asphalt road through rolling hills. The hills are covered in dry, golden-brown grass. In the background, there is a dense forest of evergreen trees. The sky is a mix of orange and blue, suggesting a sunset or sunrise. The road curves from the bottom left towards the top right of the frame.

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Private and confidential

Engage Enrich Excel Academies
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20 November 2025

Dear Sirs,

We are delighted to share our Audit Summary Memorandum for Engage Enrich Excel Academies for the year ended 31 August 2025. The primary purpose of this report is to concisely summarise our audit findings and conclusions. In our audit planning report we outlined the scope of our work, including identified significant audit risk and other key judgment areas.

After reviewing our Audit Planning Report, we have determined that the significant audit risks and other key judgement areas outlined in that report continue to be relevant.

This report is exclusively intended for your oversight of the financial reporting process. We emphasize that it should not be disclosed, reproduced, or shared with third parties, nor used or quoted for any other purposes.

We extend our sincere appreciation for the courtesy and cooperation extended by the Trust throughout our audit. Should you wish to delve into the contents of this report or discuss any other audit-related matters in greater detail, we remain at your disposal.

Sincerely,

Ed Passmore
Audit Director

Executive summary

Principal conclusions and significant findings	As outlined in our Audit Planning Report, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus in audit risks that we have assessed as resulting in a higher risk of material misstatements.
Risk assessment and audit strategy update	The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Planning Report. We have reviewed our Audit Planning Report and concluded that the significant audit risks and other areas of management judgement remain appropriate.
Financial statements	The Financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles and the Academies Accounts Direction.
Materiality	We revisited our statutory materiality to align with the final result and concluded that the planning materiality remains appropriate.
Misstatements	Any unadjusted audit misstatements identified by the audit team are set out below. This includes the cumulative effect of uncorrected misstatements for each entities.
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 Planning Report and therefore we remain independent.
Other matters of significance	We are pleased to report that there were no significant difficulties encountered during the audit or any significant disagreement with management. We noted effective cooperation and communication between the Trust and BKL during the course of our audit. All requested information and explanations were provided to us. All matters deemed significant are included in this report and have been discussed with management.
Status and audit opinion	We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

Materiality

Benchmark

Benchmarks are financial statement metrics used to calculate materiality and the choice of an appropriate benchmark is a matter of professional judgment, considering the organization's financial situation and industry standards.

Our provisional materiality is established using revenue as it reflects the size of the trust.

Overall Materiality

This is the maximum amount by which the financial statements can be misstated without affecting the judgment of an informed user. Set at the planning stage, it guides the scope and nature of audit procedures. The anticipated threshold for financial statement materiality was between one and two percent of revenue. Materiality was set at finalisation at 2% of income (excluding non-recurrent capital funding).

Performance Materiality

A lower amount set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds overall materiality, it is the proportion of overall materiality, typically set at 50-75% and used to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds overall materiality.

Provides a safety margin against the likelihood of misstatements in segments of the financial statements.

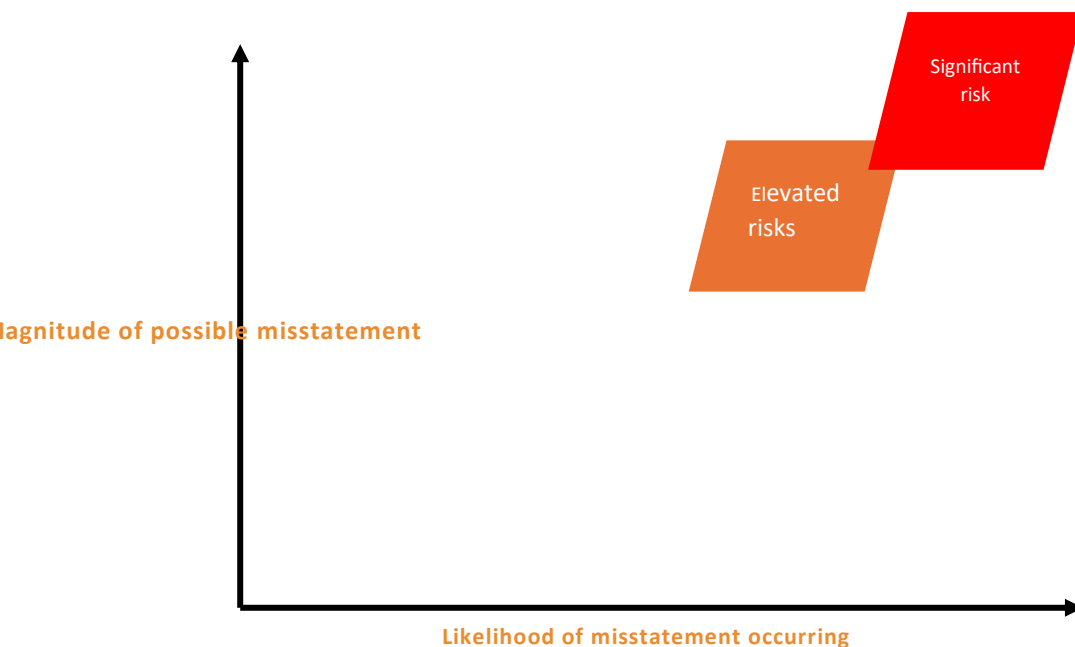
Trivial Threshold

Errors above a certain threshold will be systematically reported to the Board of Directors, typically set at 5% of the Overall Materiality. This threshold ensures that governance bodies are informed of errors that could be material in the context of the financial statements.

After setting initial materiality, it is continuously monitored throughout the audit to ensure that it is set at an appropriate level.

Risk assessment

Significant risk areas identified at the planning stage of the audit and our proposed approach to each of these areas are outlined in the succeeding slides.



A **significant risk** is an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree or to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur, and that is to be treated as a significant risk in accordance with the requirements of other ISAs.

Elevated risks - if the risks that are more significant, requiring heightened attention due to their potential impact on financial statements, or where key areas of audit judgement is noted by the engagement team.

Risks of material misstatement

Significant risks

- Revenue Recognition
- Management override of controls

Elevated risks

- Related Party Transactions
- Regulatory compliance

Significant risk

Risk Detail

As per ISA 240, there is an inherent risk of fraud in revenue recognition.

ISA 240 presumes an inherent risk of management override of controls.

How we addressed this risk

We reviewed grant documentation and performed substantive testing to verify the accuracy of income recognition. We also assessed the adequacy of internal controls.

We tested of the appropriateness of journal and other adjustments made, reviewed the accounting estimates for biases, and evaluated the business rationale for significant transactions that are not part of the entity's usual operations, or that seem unusual considering our understanding of the Trust.

Audit conclusion

As a result of the above, we have not found any contradictory evidence indicating that the financial statements may have been materially misstated.

Elevated risk

Risk Detail

Compliance with regulation - the academy trust is subject to regulatory oversight by the Education and Skills Funding Agency (ESFA), with compliance obligations outlined in the Academy Trust Handbook. Non-compliance can lead to the loss of funding and reputational damage, impacting the trust's ability to fulfill its educational purpose.

Related party transactions - the ESFA funding agreements impose strict requirements are in place around related party transactions

How we addressed this risk

We completed a programme of work designed to review and test the trusts compliance with the ESFA's requirements and evaluate the governance structure and level of oversight provided.

We reviewed the Trust's process to identify and capture related party transactions, checking that regulation is followed where they do take place.

We also scrutinised the ledger for unidentified related party transactions.

Audit conclusion

We have not found any contradictory evidence indicating that the financial statements may have been materially misstated due to management override of controls or misstatement of related party transactions.

Areas of note in the statutory accounts

To be discussed during closing meeting.



Overview of misstatements - adjusted

We set out below the misstatements identified during the course of the audit, above the level of trivial, which were adjusted.

Details of adjusted misstatements	Assets Dr / (Cr) £'000	Liabilities Dr / (Cr) £'000	Equity Dr / (Cr) £'000	P&L / OCI Dr / (Cr) £'000
Amend accrued condition improvement fund income	(333)	-	-	333
Show payroll creditors	447	(447)	-	-
Total corrected misstatements	114	(447)	-	333

Internal control recommendations

Our audit aimed to form an opinion on the financial statements. We considered the internal controls relevant to the financial statements' preparation, which informed our audit procedures. However, this was not intended to express an opinion on the effectiveness of internal control or identify significant deficiencies.

The reported matters are limited to deficiencies and control recommendations identified during our audit, deemed significant enough to report. More extensive procedures might have led to more or fewer reported deficiencies. Our comments should not be seen as a comprehensive record of all potential deficiencies or improvements.

Our findings and recommendations, each assigned a priority ranking reflecting its importance to your organization, are detailed below. The matters arising can be categorised as follows:

Priority	Description	Number of issues
High	In our assessment this matter has implications for the realisation of strategic objectives, and it is imperative that management promptly takes into consideration the provided recommendation as soon as possible	-
Medium	In our assessment there is a need to strengthen the controls in place for efficiency and complete documentation. This matter is important and needs to be addressed	-
Low	This recommendation reflects a matter with little perceived risk to the trust.	-

Internal control recommendations

No significant internal control issues were noted in this or the preceding year.

Any questions?

Thank you

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Who are BKL?

We're a firm of chartered accountants and tax advisers with more than 250 people. We've been working and growing in London for over 40 years.

Our clients tend to have an ambitious, entrepreneurial spirit in common and the entrepreneurial mindset requires intelligent support. We work with entrepreneurial, owner-managed businesses and HNWIs. Entrepreneurs seek us out to help them structure and run their businesses to facilitate growth and support their lifestyle. Private clients work with us to help create and preserve wealth between generations.

B Corp Certified

We were proud to become a Certified B Corporation in 2022. This puts us in a worldwide community of businesses that meet high standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose.

We're looking forward to learning from our fellow B Corps and growing as a business under the guidance of high B Corp standards.

Academy Trust Handbook, summary of changes

ATH 2025 introduces no changes that would require a successfully run academy trust to change how it operates. Instead, it offers clarity to trustees in three areas:

- Roles and responsibilities
- Regulatory concerns
- Financial requirements

Roles and responsibilities

Managing Public Money

Updating Accounting Officer Duties, specifically their duty to raise concerns

Updated definitions of regularity propriety, value for money and feasibility

Providing links and tools in relation to the above

Providing trusts with further guidance on Estate Management

Confirming that trusts must have an understanding and be working towards meeting the 6 core digital and technology standards by 2030

Link to guidance and support on sustainability to help trusts ensure that they have a climate plan in place

Academy Trust Handbook, summary of changes

Financial requirements

Providing trusts with further guidance and support surrounding procurement procedures and practices

Clarification of the role and responsibility of the board in setting executive pay

Regulatory concerns

Internal Scrutiny – clarifying that the income threshold currently in operation relates to the most recent set of audited accounts

Confirmation that trusts must not pay any cyber ransomware demands

Confirmation that the DfE may recover funds where there is evidence of irregularity or fraud – we examine this in more detail below

Provision of links with further information on DfE oversight and support

Academy Trust Handbook, summary of changes

Intervention powers of the DfE and the potential recovery of misappropriated funds

This clause sits as an addendum to the section of the handbook which deals with the issuing of a Notice to Improve (Ntl).

The option to issue an Ntl solely on educational grounds has been removed from the ATH 2025. This should only be issued for either weak financial management and or governance within the trust as listed within section 6.17 of ATH 2025.

If the trust fails to comply with the Ntl, this will be considered a breach of the funding agreement between the trust and the DfE. Delegated authorities from the trust may be revoked, with all relevant transactions requiring advance approval from the DfE.

The Ntl must be published on the website of the trust within 14 days of receipt and must be retained until formal notice is given by the DfE that the Ntl is lifted.

Demystifying pensions

Two significant costs to academy trusts are the payments made to the respective pension schemes: the Teachers' Pension Scheme for qualified teaching staff, and the Local Government Pension Scheme for other (support) staff.

As with many aspects of finance, and pensions in particular, there is a lot of industry jargon which makes understanding these costs difficult. This guide will make things clearer.

Teachers' Pension Scheme (TPS)

This pension scheme is known as an “unfunded, multi-employer, defined contribution pension scheme”. The keywords here are “unfunded” and “multi-employer”, which denotes that there will be no specific valuation placed on this scheme which can be attributed back to the academy trust.

Both the employer and the employee make contributions to this scheme, which are credited to the Exchequer, with the retirement and other benefits being paid out from public funds provided by Parliament.

The TPS is formally valued as a whole by actuaries approximately once every four years, with changes to the level of employer contributions being affected by the outcome of these valuations.

The only cost within the trust's accounts are the employer contributions made. These are calculated as being 28.68% of the employees' pensionable salary, and will be shown within direct costs within the notes to the financial statements.

The contribution percentage has increased from 1 April 2024, due to the implementation of the most recent valuation, which showed a deficit which required an increase in contributions to fund. In order to assist with this increased cost, every trust has paradoxically received an additional government grant to cover the additional costs. It is anticipated that this will continue in future years, but no confirmation to this effect has yet been received.

Local Government Pension Scheme (LGPS)

Where this pension scheme differs from the TPS is that for each employer, there is a separately administered fund i.e. within the pension pot there are both assets and liabilities which can be specifically attributed to the academy trust. This is what causes the inclusion of the pension scheme liability within the financial statements.

The LGPS is valued annually by a firm of actuaries, who produce a report valuing the obligations that each trust may have in the future concerning their current employees' retirements. Whilst this is a significant number, it is merely included within the financial statements due to an accounting

Demystifying pensions

technicality, and shouldn't unduly concern trustees and the senior leadership team, for the following reasons:

- **It is an estimate based upon the cessation of everything as at the year end date; this will never happen in practice.**
- **Each scheme will hold a certain amount of assets (equities, properties, cash, etc) – more often than not, these will exceed calculation of the notional liability as at the year-end date recorded within the financial statements.**
- **There is a government guarantee in place dated 18 July 2013 which guarantees the funding of any LGPS liabilities which occur following an academy closure.**
- **As an LA maintained school, this 'liability' was still attributed to the school, but due to differing reporting requirements was not included within the school's balance sheet.**

Contributions to the LGPS depend on the individual fund to which the academy is linked. This is based on location, and unfortunately is mandated i.e. one cannot change this. As with the TPS, the level of contributions is based upon the performance of the fund. The changes to any future contributions will be communicated directly by the fund to the academy.

LGPS valuation is based upon various factors which include:

- **Discount rate (based on the Government bonds)**
- **Assumed annual increase in salaries**
- **Inflation**
- **Estimated mortality rates**

A formal valuation of the LGPS occurs every three years, with the latest one taking place during 2025, which will be implemented in 2026.

The year ended 2025 is the third and final implementation of the 2022 triennial valuation, as shown in the diagram below.

Where are we now?

As per the table below, we are in Year 3:

Funding valuation	Accounting valuation (Year 1)	Accounting valuation (Year 2)	Accounting valuation (Year 3)
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Demystifying pensions

The most recent formal funding valuation was at 31 March 2022	Impact of 2022 valuation will be first shown in <u>August 2023</u> disclosures	Membership experience will flow through OCI – may be significant for academies	Other assumptions reset as part of valuation e.g. new demographics
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Source: Hyman Robertson

The annual actuarial report contains figures which need to be included within the financial statements. This is broken down in the pension note towards the end of the accounts, and separately disclosed within the support costs note under the heading ‘non-cash pension costs’.

The current pension outlook

Whilst historically, the LGPS actuarial valuation has calculated a significant and increasing liability, the macro-economic conditions over recent years have seen this liability reduce significantly, and in many cases completely so that it is in ‘surplus’ (i.e. an asset) as at 31 August 2024 and this has continued through to year ended 31 August 2025.

The main reason for this is the increased level of inflation, primarily creating a significant increase in the Discount Rate augmented by the volatility in the corporate bond market. The continued knock-on effect of Covid-19 has also seen a slight reduction in life-expectancy.

How does this impact the year end accounts?

With regards to how a pension asset is reported in the financial statements: to fully recognise the whole value of this figure, it needs to be probable that the asset will lead to future economic benefits to the trust. This would be in the form of a reduction in the contribution rates and / or a cash payout from the pension scheme. Whilst a reduction in the contribution rates is a possibility, it is by no means is a probable outcome – indeed, with falling inflation, it is anticipated that the knock-on effect will lead to a fall in the Discount Rate, which in turn will impact future actuarial calculations thus re-creating an LGPS pension liability.

Contingent asset

If the actuarial valuation of the trust has been calculated as being an asset, our technical assessment – confirmed by the ICAEW – is that the asset should not be recognised within the financial statements of the trust – i.e. as part of the balance sheet. Instead, a disclosure should be made within the notes to the accounts only, stating that there is a possibility of

Demystifying pensions

this asset being realised either in part or in full, only if it becomes probable that future economic benefit(s) will flow to the academy trust from this asset.

For more information, please get in touch with your usual BKL contact or use our [enquiry form](#).

Feeling good about your finances?

When it comes to managing your money, there's a lot to consider, from pensions and properties to investments and insurance. Keeping a close eye on all your affairs is easier said than done. But when times are uncertain and markets are volatile, it's only by knowing where you stand that you can face the future with confidence.

That's why it makes sense to regularly evaluate your current situation, and at BKL Wealth Management, we can help guide you through this process in our complimentary review.

Free of charge to you, this session is a chance to discuss your financial goals and reflect on your existing arrangements. We will simply advise on where we think you are being served well and where we think there is potential for improvement. What you do next is entirely up to you.

Interested in getting a clearer picture of your finances? Contact us today for your complimentary review.

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BKL Wealth Management Limited is an Appointed Representative of Vintage Wealth Management Limited and is authorised and regulated by the Financial Conduct Authority. FCA Number 607954. Registered in England and Wales No. 08375209.

The logo for BKL, consisting of the letters 'BKL' in a bold, white, sans-serif font, positioned in the bottom right corner of the page against an orange background.