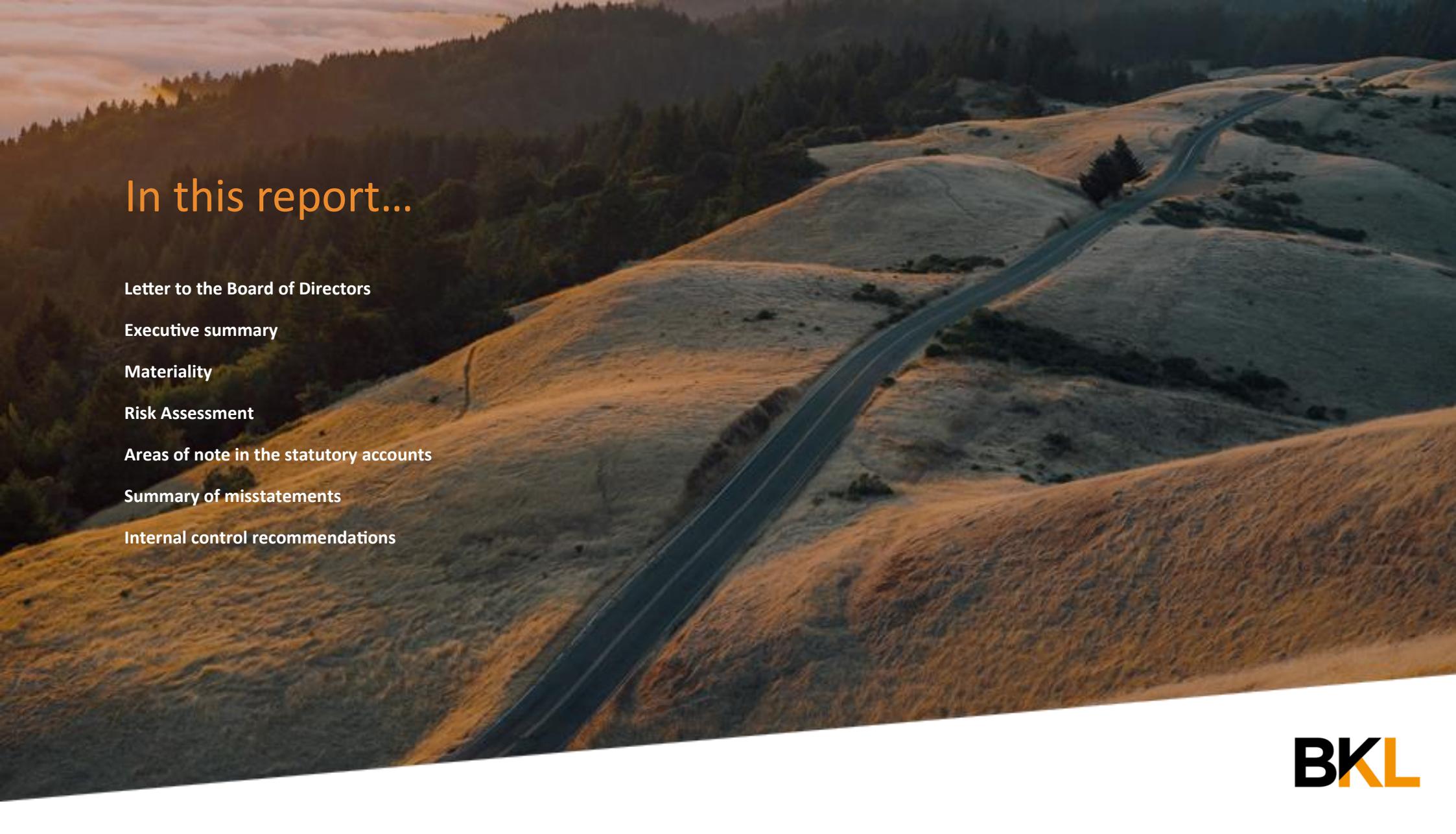




The Holy Cross School

Audit Findings Memorandum

Audit assignment for the year ended 31 August 2025



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Private and confidential

Holy Cross School
25 Sandal Road
New Malden
KT3 5AR

24 November 2025

Dear Sirs,

We are delighted to share our Audit Summary Memorandum for Holy Cross School 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 Holy Cross 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,

Jake Lew
Partner

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	Despite confirmation prior to the audit beginning that all audit related information would be provided electronically by the Finance Team via Inflo, this did not happen. As in prior years, the Finance Team prepared a comprehensive hard copy audit file and training on Inflo was not undertaken until October and November 2025. It appears as if the Finance Team were unaware of the commitment provided by the Head Teacher and trustees as to the provision of information. Information has not been received in a timely manner All matters deemed significant are included in this report and have been discussed with management. Some requested information and explanations remain outstanding as well as some samples to allow us to complete our audit testing. 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 with a material uncertainty with respect to going concern for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report. i.e. Subsequent Events Confirmation /Signed Letter of Representation from the management. We will add wording as we did last year that covers the deficit the school is in of £310,283.

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 1.5% 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.

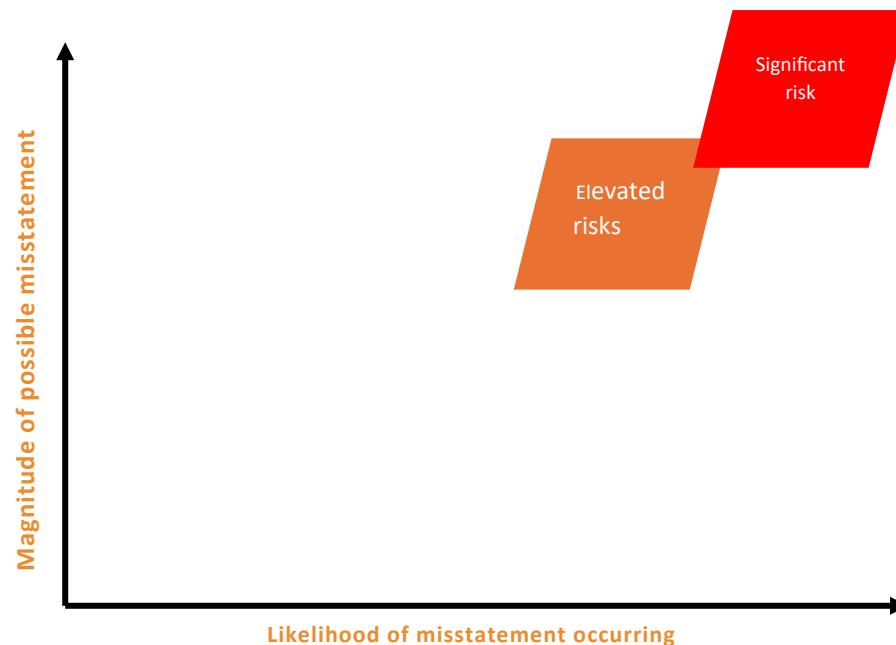
Trivial Threshold

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 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

During our final review, we focus on relevant benchmarks and staff metrics for the current and prior years, as well as other changes and future plans the trust has.

All relevant matters will be discussed during our closing meeting with the Board.



Overview of misstatements - unadjusted

We set out below the misstatements identified during the course of the audit, above the level of trivial, for potential adjustment.

Details of unadjusted misstatements	Assets Dr / (Cr) £'000	Liabilities Dr / (Cr) £'000	Equity Dr / (Cr) £'000	P&L / OCI Dr / (Cr) £'000
No unadjusted misstatements		N/A		
Total uncorrected misstatements				

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
N/A we will send you a list of adjustments once audit has been finalised.				
Total corrected misstatements				

Internal control recommendations (current year)

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	2
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	1
Low	This recommendation reflects a matter with little perceived risk to the trust.	2

Internal control recommendations (current year)

Priority	Observation	Risk	Recommendation	Managements Response
High	<p>Going Concern</p> <p>In the year ended 31 August 2025, the Trust has made a trading deficit of £98k which includes £13k of capital works funded from reserves. The overall deficit has therefore increased to £310k.</p> <p>As can be evidenced by the high level of creditors, the Trust is using its suppliers and other creditors to manage its cash flow on a monthly basis.</p>	<p>This indicates a potential going concern risk, as the Trust's ability to continue as a going concern could be affected by limited reserves and reduced cash balances.</p>	<p>We recommend that the trust should ensure the scrutiny methods are in place to ensure it oversees its spending. The trust should keep the process and policies in this area under frequent review to ensure it is set up to reduce risks to going concern as far as possible and to ensure operations continue.</p> <p>We would recommend the Trust maintains regular contact with the DfE over negative carried forward reserves at 31 August 2025 which are £310k.</p> <p>We would also recommend that the disclosure in Note 1.2 (Going Concern) be updated to reflect</p>	<p>All recommendations will be implemented at the earliest opportunity.</p> <p>This has been updated.</p>

Internal control recommendations (current year)

			<p>the Trust's current financial position, including reference to the negative reserves and cash levels, and how management has assessed and mitigated any associated risks.</p>	
Low	Financial Procedures Manual We noted during our review that the academy's financial procedures manual has not been updated since 2021 (or otherwise we have not received the latest version).	Key controls and procedures of the school need to be documented. The Trust's Academy Handbook therefore should be reviewed and updated annually. The procedures need to be in line with DFE guidance.	We recommend that the Trust's Financial Procedures Manual be reviewed and updated annually to ensure the correct review, authorisation and all other procedures are being followed.	The updated draft handbook will be presented to the AFRE Committee on the 29 th January 2026.
Medium	Census There is a difference between the numbers reported in the census for number of pupils and pupils eligible for Free School Meals and what the internal report from the system shows.	The risk here is that the number of pupils has been over declared and therefore received too much income. There is not report at the date of the census which is why it does not match.	We recommend that all items on the census are reconciled to supporting information and the reconciliations are retained with the copy of the census. If any figures on the census are	We confirm that the census data is correct and reconciliations have been retained with the census.

Internal control recommendations (current year)

			inaccurate, the EFA should be informed as soon as possible.
Low	Website Review Issues There are documents that don't appear on the Trust website such as members pecuniary interests and member information which should be included. This is in breach of the Academies Trust Handbook.	Failing to maintain up-to-date details on the Trust's website breaches the Companies Act 2006 and may raise governance concerns under the Academy Trust Handbook. Such discrepancies could attract scrutiny from the Education and Skills Funding Agency (ESFA), as they expect robust compliance with statutory and regulatory obligations	We recommend that a Register of Pecuniary Interests should be maintained and kept up to date for all governors and staff with significant financial responsibilities to avoid conflicts of interest arising and the Trust's website should be updated in line with the register.
Low	Profit on trips Admin and staff costs need to be allocated to the profit to breakeven. The Trust cannot show profits on trips. Any excess funds would need to be refunded to parents.	The risk is that the Trust is holding cash it should not be as the trips are technically showing a profit.	We recommend that the Trust allocate correct costs to each trip regarding payroll costs and other admin costs. Trips related expenditure was recorded in the expenditure accounts they related to. From September these expenditure items will be allocated to trips.

Internal control recommendations (current year)

High**Cash Management**

In February 2025, the Department of Education commissioned a School Resource Management Adviser (SRMA) Review of The Holy Cross School and this was carried out in June 2025. The report highlights instances where the governors were given conflicting or insufficient information about cash management and cash flow forecasts.

The school is not underperforming educationally and has a Good rating from Ofsted. It is therefore not at risk from losing funding, however poor cash management and issues around going concern are major concerns and with the increased deficit in the 2025 year, the cumulative deficit has increased to £310k.

We understand the SRMA visit made a number of recommendations to ensure cost savings and the Trust returns to a surplus reserves position. It is essential these are implemented as soon as practically possible.

We will implement SRMA recommendations as soon as practically possible.

Internal control recommendations (previous year)

Points are as noted in the previous year with a brief update of the current status

Priority	Observation	Recommendation	Management Response
Medium	Non-Compliance with Companies House During our review, we noted that a trustee who resigned on 31 August 2024 is still listed as active on Companies House. This discrepancy indicates non-compliance with statutory requirements.	We recommend ensuring compliance and transparency that the Trust removes Sr Margaret Donovan from Companies House promptly and that all other trustees and members of the governance structure are correctly listed.	As at the 25 November 2025, all trustees and members details have been updated.
Low	Purchase Orders We noted during our review that purchase order forms were not available for some samples. Whilst POs are received manually for almost all orders, these aren't then replicated in the FMS system. We note that it is very difficult to raise POs for every cost especially when there are emergency expenses. There are no issues noted with regards to effective monitoring of budgets.	We recommend that purchase order forms are used in line with the Trust's Academy Handbook to ensure the correct authorisation procedure is followed. Consideration should be given to expenditure items that are authorised by other means. This should be included in the Trust's Academy Handbook.	Producing purchase orders on the FMS system is a function of the full time Finance Officer. This role has only been partially filled since April 2022. Whilst the FMS system was utilised during this period alternative manual PO systems were also introduced. From September 2024 the FMS system has been utilised with few exceptions. A full time Finance Officer has been appointed.

Internal control recommendations (previous year)

Points are as noted in the previous year with a brief update of the current status

			The Trust's Academy Handbook will be amended to include expenditure items authorised by other means.
Low	Credit Card Controls During our review, we noted that the Trust's Academy Handbook does not include credit card control procedures.	We recommend Updating the Trust's Academy Handbook to include comprehensive credit card control procedures, covering issuance, usage, spending limits, and documentation requirements.	The Trust's Academy Handbook will be amended to include this recommendation. Now that the Trust has the facility to make online payments the use of the Business Charge Card will be significantly reduced. No change as handbook not updated.
Low	Bank reconciliations During our review, we noted that there is currently no secondary review process in place for bank reconciliations. Whilst this has been the process for a number of years, we recommend that where possible a monthly review is put in place.	We recommend assigning a different individual to review completed bank reconciliations to ensure accuracy, compliance, and adherence to internal controls. This separation of duties will help mitigate risks associated with errors and potentially fraudulent activities.	This has been resolved in the current year. Please note that once the procedures manual has been updated the bank reconciliation and segregation duties should be documented within

Any questions?

Thank you

Jake Lew

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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.

The logo for BKL, consisting of the letters 'BKL' in a bold, black, sans-serif font.

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 (Nti).

The option to issue an Nti 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 Nti, 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 Nti 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 Nti 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

Demystifying pensions

is merely included within the financial statements due to an accounting 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:

Demystifying pensions

Funding valuation	Accounting valuation (Year 1)	Accounting valuation (Year 2)	Accounting valuation (Year 3)	
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	<p>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.</p> <p>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.</p>

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

How does this impact the year end accounts?

Demystifying pensions

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 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 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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