



## **Isebrook SEN Cognition & Learning College**

### **Report to Trustees**

Audit for the year ended 31 August 2016

*This report was discussed at the meeting on 12 December 2016. Trustees comments have been included in italics.*



# Isebrook SEN Cognition & Learning College Report to Trustees

## Contents

	Page
1 Introduction	2
2 Summary	3
3 Key audit issues	6
4 Post management accounts adjustments	10
5 Unadjusted items	12
6 Systems and controls	13

# Isebrook SEN Cognition & Learning College Report to Trustees

## 1 Introduction

Streets is a top 40 firm of Chartered Accountants, with annual fee income of £18m, servicing a diverse portfolio of clients located throughout the East Midlands, the East of England, East and South Yorkshire, London and the South East.

The practice was founded in Lincoln on 1st January 1907. Over the years the firm has developed with the opening of new offices and through the acquisition of other accountancy practices. Streets now has a total of 11 offices, with other offices in Bedford (Wyboston Lakes), Stevenage, London, Cambridge, Newmarket, Peterborough, Grantham and Newark (Long Bennington), Hull, Manchester and Sheffield.

The firm has 29 partners and directors and employs over 125 members of staff.

Streets Audit is registered by the Institute of Chartered Accountants in England and Wales (ICAEW) to carry out audit work.

As a firm of Chartered Accountants with a long standing specialism in education, Streets has been assisting academy schools since the summer of 2010. Our range of services includes a review of financial procedures and management reporting following the conversion to Academy status, in addition to external audit.

We act for approximately 70 Academies including stand alone Academies, Multi Academy Trusts (MATs) and Federated Academies. We are currently working with a number of school heads, CFO's, business managers and governing bodies on their conversion to Academy status and the development of MATs.

Further information on our work with Academies and schools is included in our website, please visit [www.accountants4academies.co.uk](http://www.accountants4academies.co.uk). The website will be updated regularly as the EFA continue to adapt and adjust the regulations in place.

# Isebrook SEN Cognition & Learning College Report to Trustees

## 2 Summary

Please note that, throughout this document, we have referred to governors as the governing body. In a single academy trust, the terms trustee, director and governor are interchangeable.

### 2.1 Communications required by Auditing Standards

We have audited the statutory accounts of the Trust for the year ended 31 August 2016 in accordance with the terms of our engagement letter. We draw your attention to the following points, as required by auditing standards.

a) Qualitative aspects of the trust's accounting practices and financial reporting

We have no comments to make concerning the qualitative aspects of the trust's accounting practices and financial reporting.

b) Unadjusted misstatements

Section 6 of this report documents potential misstatements identified during the course of the audit. We would welcome your confirmation that you do not wish to adjust the financial statements for these items, together with your reasoning.

We also include in section 5 of this report any adjustments made to the financial statements during the course of the audit. We would welcome your confirmation to these adjustments being made.

c) Material weaknesses in the accounting and internal control systems

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts. Section 6 of this report contains details of areas which were identified during the course of the audit and our recommendations. It is not intended to be a full list of all potential weaknesses that may be present in your systems.

## **Isebrook SEN Cognition & Learning College Report to Trustees**

d) Letters of representation

Appendix 1 and 2 to this report contains our proposed letters of representation which we will request from you prior to issuing the final accounts. We would be grateful if you could review these letters and let us know if there are any areas you wish to query.

We will require the letters of representation to be signed by all of the trustees (who are directors for the purposes of the Companies Act). Alternatively, we will require a copy of the board minute which documents the trustees' consideration and acceptance of their contents.

e) Expected modifications to the auditor's report

Subject to receiving all the remaining confirmations, we do not propose to modify the audit report.

f) Other matters required by Auditing Standards to be communicated

There are no other matters that we are required by auditing standards to communicate to you.

g) Other relevant matters relating to the audit

We have discussed with you the fact that we provide accounting and corporation tax services to the academy in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services does not affect our independence as the additional services are of a compliance nature and management takes any decisions where judgement is required.

## **Isebrook SEN Cognition & Learning College Report to Trustees**

### **2.2 Outstanding matters**

We draw your attention to the following information which is outstanding. We will be unable to issue final financial statements until we have received the following items which are discussed further in this report;

1. Resolution of the points raised in this report;
2. Successful completion of Post Balance Sheet Events work; and
3. Signed letters of representation.

### **2.3 Conduct of the audit**

We would like to take this opportunity to thank the accounting staff for their help and assistance during the audit, which was gratefully appreciated.

### **2.4 Purposes of the report**

Please note that this report has been prepared for the sole use of the Trust. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. No responsibility is assumed by us to any other person.

## **Isebrook SEN Cognition & Learning College Report to Trustees**

### **3 Key audit issues**

This section details the key issues that arose during our Financial Statement audit and our Regularity audit. It also includes areas that we consider require further explanation or consideration by the Trustees.

#### **3.1 Financial Statement Audit**

##### **Audit approach:**

Our general audit approach was determined by our assessment of the audit risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the company operates.

To summarise our approach, we:

- updated our understanding of the school and its environment;
- reviewed the design and implementation of key internal financial control systems; and
- planned and performed an audit with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated.

Significant risks arise on most audits and are often derived from operational risks that may result in a material misstatement, relate to unusual transactions that occur infrequently, or judgemental matters where measurement is uncertain. In areas where we identified the potential for significant risk, we extended our audit testing to include more detailed substantive work. Our work in other areas was proportionally less.

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

There were no changes to our audit approach as set out to you.

## **Isebrook SEN Cognition & Learning College Report to Trustees**

Subject to management consideration of the points raised, together with confirmation of various disclosures within the accounts, we anticipate that we will issue an unqualified audit opinion.

### **3.2 Summary of significant audit findings for significant risk area identified at planning**

#### **1 Accounting standards**

The financial statements for the year ended 31 August 2016 follow the accounting requirements under FRS102/SORP 2015, as interpreted by the Academy Accounts Direction for 2015/16. This has necessitated some changes in the trustees' report and certain required disclosures in the financial statements, although the majority was adopted last year. There have been some changes to headings in various notes but no material changes to the way that the figures have been compiled.

#### **2 Management override of controls**

Per auditing standards we are required to include management override of controls as a default risk on all audits. This is regardless of whether any evidence has been observed in the current or preceding years.

No issues were observed during the audit.

This section has been included for the trustees' information and no response is required.

#### **3 Revenue Recognition**

Per auditing standards we are also required to include Revenue Recognition as a default risk on all audits. This is regardless of whether any issues have been observed in the current or preceding years.

During the audit there was no evidence to suggest that Revenue had been manipulated.

This section has been included for the trustees' information and no response is required.



## **Isebrook SEN Cognition & Learning College Report to Trustees**

### **4 Related Party Transactions**

Per auditing standards we are also required to include related party transactions as a default risk on all audits. This also overlaps with the Regularity section as “Connected Party Transactions” has been highlighted by the EFA as a key area.

The Register of Business Interests has not highlighted any potential related parties transactions with the Academy and our audit work has not identified any transactions. This is with the exception of family members employed by the academy. Reference to this has been included in the accounts.

This section has been included for the trustees’ information and no response is required.

### **5 Local Government Pension Scheme (LGPS) deficit**

As the trustees are aware the LGPS deficit was recognised as a liability at the point of conversion, with a further actuarial valuation being required at the balance sheet date, to provide a figure to be included in the statutory accounts. This is in accordance with the requirements of the Financial Reporting Standard 17 (FRS17) on the basis that the trust’s share of the scheme deficit can be separately determined. This is shown as a separate (negative) restricted fund reserve.

The overall effect is that the academy’s share of the deficit at 31 August is £1,307,000, an increase of 62%. This is consistent with all other academies where the same assumptions have been used.

This is not an immediately crystallising liability for the trust, but the ongoing employer contributions are a continuing cost to the trust.

This section has been included for the trustees’ information and no response is required.

### **6 Going concern**

Standard disclosures are in the financial statements in relation to the governors’ consideration of going concern. Our review identified that the academy has sufficient reserves at the yearend and the forecast for 2016/17 is for a small deficit.

We would like to highlight that, based on current EFA guidance; academies should be producing 3-5 year forecasts.

## Isebrook SEN Cognition & Learning College Report to Trustees

### 3.3 Regularity Audit

#### **Audit approach:**

In addition to our audit report on the financial statements the Accounts Direction also requires us to issue an assurance report on Regularity. This requirement was brought in by the EFA in 2012, together with the additional “Statement on Regularity, Propriety and Compliance” which is signed by the Accounting Officer.

#### **Work done and Results:**

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement included examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust’s income and expenditure. The work undertaken to draw our conclusions included:

- Review of the Academy’s systems and controls to ensure effective design;
- Confirmation of satisfactory operation of controls during the year, including authorisation of invoices, payments and salary adjustments;
- Review of a sample of expenses focussing on those nominal codes considered to include transactions of a greater risk;
- Review of the reports from internal scrutiny work undertaken during the year;
- Discussions with the Finance Team.

We anticipate that we will issue an unmodified regularity assurance report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

#### **Conclusion:**

There were no regularity issues which need to be brought to your attention in connection with the regularity assurance engagement. However please note the points raised in section 6.

The Accounting Officer needs to be satisfied that the reporting practices are effective and complete for the year under review to enable them to sign the statement of regularity in the financial statements.

## Isebrook SEN Cognition & Learning College Report to Trustees

### 4 Post management accounts adjustments

Adjustments have been made in arriving at the draft financial statements. Please review these adjustments and advise us if there are any in which you are not in agreement. The adjustments are as follows:

	<b>Assets Increase / (Decrease) £</b>	<b>Liabilities Increase / (Decrease) £</b>	<b>Resource Increase / (Decrease) £</b>
<b>Net resources per trial balance</b>			<b>51,899</b>
Accrued income identified	26,888	-	26,888
Write off VAT difference	(400)	-	(400)
Capitalise items expensed	20,268	-	20,268
Reclassify items capitalised to SOFA	(18,275)	-	(18,275)
Deferred income identified	-	5,129	(5,129)
Accruals identified	-	1,352	(1,352)
Reversal of prior year prepayment	(10,319)		(10,319)
LGPS deficit valuation adjustments	-	501,000	(501,000)
Depreciation charge correction	341	-	341
<b>Agreed audit adjustments</b>	<b>24,698</b>	<b>507,481</b>	<b>(488,978)</b>
<b>Net movement in funds per accounts</b>			<b>(437,079)</b>

## **Isebrook SEN Cognition & Learning College Report to Trustees**

### **5 Unadjusted items**

During the audit the following non trivial potential errors were identified, which have not been adjusted for. For the purposes of the audit the trivial level was set at £1,000.

There was the following potential adjustment identified during the course of the audit which has not been amended following discussion with the school finance team:

1. There was £21,076 of fixed assets which could potentially be reclassified from capital and treated as an expense during the year.
2. There were £47,496 of payments which were back dated. This reduces the bank balance and trade creditors figure disclosed. This only affects the presentation of the accounts.
3. Minor balances totalling £5,129 were deferred which could potentially be recognised as a carry forward.

## Isebrook SEN Cognition & Learning College Report to Trustees

### 6 Systems and controls

As part of our audit we are required by auditing standards to review the main systems and controls operated by the company, and report any material weaknesses to those charged with governance. Our procedures are designed primarily with a view to the expression of an opinion on the accounts. Our comments cannot therefore be expected to include all possible improvements in the internal controls that a more extensive review by Internal Audit or the Responsible Officer might identify. Any issues that have been identified by the Responsible Officer and also as part of our own work have not been repeated below.

We have identified the following issues to be brought to your attention. All of which are considered to be **low risk unless otherwise stated**:

1. At present there is no detailed fixed asset register separately maintained to record and monitor the assets capitalised in the accounts. This will also ensure assets have been correctly classified into the correct category.
2. Due to no detailed fixed asset register maintained, an estimate of depreciation has been provided for but this would make it difficult in the future to ascertain the net book value of the individual assets, this becomes a problem when calculating the profit or loss on disposal of assets and reviewing any impairment.
3. The academy engaged an external internal audit to perform a detailed review of systems and transactions. During this visit, a sample of transactions was reviewed, including items of income and expenditure, payroll and cash and bank balances. A formal written report has been issued to the governors. (Medium to High Risk).

We consider this to be sufficient for internal scrutiny under the current guidance but the governors should put in place a future programme of visits.

The recommendations given in the internal report should be reviewed and put in place, one of the recommendations given in the internal audit report was that the academy website should be reviewed and updated to include up to date details of its governance arrangements, include key documents published on the website and a review of policies, however not all relevant information was found on the website for example, the register of Business/Pecuniary interests. We recommend this and the other points are reviewed to ensure compliance with the Academies Financial Handbook.

## **Isebrook SEN Cognition & Learning College Report to Trustees**

4. It was noted that during our audit fieldwork the VAT 126 forms have not been submitted for June to August 2016. These should be submitted promptly to avoid any delay in receiving refunds due to the school.
  
5. Invoices dated after the year end have been brought into the accounts via bank and included within the unreconciled items rather than being brought into the accounts as an accrual. This is simply a reclassification in the balance sheet but should be classified correctly to show a more accurate position of the academy.

*Management response – The above will be reviewed by the school business manager and improvements to the financial processes considered. In relation to the internal audit review the majority of items have now been implemented including the information required on the website. The trustees found the review very useful and plan to put in place the remainder of points in the near future. In addition the trustees noted that they have moved to new accounting software which will provide improved financial reporting. The next stage is to adopt the budgeting software to allow greater scrutiny of actual results versus budgets.*

## Isebrook SEN Cognition & Learning College Report to Trustees

### Appendix 1

Streets Audit LLP  
3 Wellbrook Court  
Girton  
Cambridge  
CB3 0NA

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy's financial statements and as, relevant, your assurance engagement on regularity for the year ended 31 August 2016. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

#### **General**

- 1 We have fulfilled our responsibilities as governors as set out in the terms of your engagement letter, under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the academy have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy, and with all other records and related information, including minutes of management meetings and correspondence with the Education Funding Agency, Department for Education and the Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.
- 5 The effects of uncorrected misstatements (as set out in the appendix to this letter) are immaterial both individually and in total.

#### **Internal control and fraud**

## **Isebrook SEN Cognition & Learning College Report to Trustees**

- 6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 7 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 8 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

### **Assets and liabilities**

- 9 The academy has satisfactory title to all assets and there are no liens or encumbrances on the academy's assets, except for those that are disclosed in the notes to the financial statements.
- 10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 11 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

### **Accounting estimates**

- 12 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

### **Loans and arrangements**

- 13 The academy has not granted any advances or credits to, or made guarantees on behalf of governors other than those disclosed in the financial statements.

### **Legal claims**

- 14 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.



## **Isebrook SEN Cognition & Learning College Report to Trustees**

### **Law and regulations**

- 15 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

### **Related parties**

- 16 Related party relationships and transactions, comply with the academy's financial regulations, relevant requirements of the Academies Financial Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Annual Accounts Direction issued by the Education Funding Agency.

### **Subsequent events**

- 17 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

### **Going concern**

- 18 We believe that the academy's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy's ability to continue as a going concern need to be made in the financial statements.

### **Grants and donations**

- 19 Grants made by the Department of Education and Education Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.
- 20 All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

## **Isebrook SEN Cognition & Learning College Report to Trustees**

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Yours faithfully

.....  
Signed on behalf of the board of Trustees

Date.....

## Isebrook SEN Cognition & Learning College Report to Trustees

### Appendix 2

Streets Audit LLP  
3 Wellbrook Court  
Girton  
Cambridge  
CB3 0NA

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to Mark Rutherford School and the Education Funding Agency (EFA) for the year ended 31 August 2016. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of my knowledge and belief.

#### **General**

- 1 I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between the academy and the Secretary of State for Education dated 1 January 2013, the Academies Financial Handbook 2015.
- 2 I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.
- 3 I acknowledge my responsibility to notify the governing body and the EFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy trust's funding agreement and have had due regard to the requirements of the Academies Financial Handbook 2015 in performing this duty.
- 4 Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the EFA.
- 5 Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the academy trust's authorising framework.

**Isebrook SEN Cognition & Learning College  
Report to Trustees**

- 6 Full and free access has been granted to all the records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Yours faithfully

.....  
Accounting Officer

Date.....