

Bicester Learning Academy

Audit Completion Report to the Trustees for the Period Ended 31 August 2016

1 December 2016

1 Introduction

This report details the key issues arising during our audit and regularity assurance report of the Bicester Learning Academy (the Academy Trust) for the period ended 31 August 2016, and communicates those matters we are required to communicate to those charged with governance in accordance with International Standards on Auditing (ISAs).

The matters detailed in this report came to light during the course of our normal audit and assurance tests which are designed to assist us in forming our opinion on the financial statements and providing a limited assurance report on regularity. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our assurance audit tests, we would, inform you immediately.

This report has been prepared for the sole use of the Trustees and management of the Academy Trust. We understand that you are required to provide a copy of this report to the Education Funding Agency (EFA). With the exception of this, our report must not be shown to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the Academy Trust in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Whitley Stimpson Limited towards any party acting or refraining from action as a result of this report.

We have already discussed the contents of this report with management and the comments reflect their views where appropriate, including the responses to the matters detailed in section 9 of this report.

Finally, we would like to express our thanks to the Academy Trust's staff for their assistance and courtesy afforded to us during the course of the audit.

2 Engagement objectives

Our engagement objectives were as follows:

- to audit the financial statements of the Academy Trust and to report to the Academy Trust's members accordingly;
- to provide a reporting accountant's assurance report in relation to the Academy Trust's Regularity, Propriety and Compliance and to report to the Trust's members and the Education Funding Agency (EFA) accordingly;
- to concisely and constructively report to management and the Trustees on matters arising from our audit work; and
- to draw your attention to significant deficiencies in internal control that come to our attention during the course of our audit work.

3 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 Academy Trust operates.

To summarise our audit approach, we:

- updated our understanding of the Academy Trust 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 business 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 than in the significant risk areas.

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 previously communicated to you in our audit planning letter dated 30 September 2016.

4 Status of the audit and anticipated audit report

Subject to the satisfactory resolution of the outstanding matters detailed in section 11 of this report, we anticipate issuing an unmodified audit report on the financial statements for the period ended 31 August 2016.

5 Key audit and accounting issues

Significant risk areas identified at the planning stage	Findings and conclusions
As dictated by the International Standards on Auditing (ISAs), we are required to consider income recognition as a significant risk, unless substantial evidence exists to rebut this presumption.	Our audit procedures included reviewing the design and implementation of internal controls, performing analytical review procedures, proof in total calculations and other substantive testing, including checking a sample of transactions to source documentation. We also reviewed the treatment of income to ensure consistency with the stated accounting policies, relevant accounting standards, the Charities SORP and the Academies Accounts Direction. No issues arose from our work.
Under the International Standards on Auditing (ISAs), management override is automatically deemed to represent a significant audit risk.	Our audit procedures included reviewing the design and implementation of the controls in relation to the posting of journal adjustments, as well as substantively testing the substance of a sample of journal entries. We also reviewed areas of specific management judgement and estimation. No indications of management bias were identified during the testing or throughout the rest of our audit testing.
Related and connected parties	We reviewed the list of related and connected parties provided by management to ensure any transactions with these related parties have been identified and disclosed in the financial statements. We also tested Trustees' remuneration to ensure all remuneration has been properly approved and that the appropriate disclosures have been included in the financial statements as required by the Accounts Direction. There were no related party transactions, other than Trustees' remuneration and expense reimbursements, and no issues arose from our work.
Payroll expenditure	Our audit procedures included reviewing the design and implementation of internal controls, performing analytical review procedures and other substantive tests of payroll expenditure, including testing a sample of payroll transactions (including national insurance and pensions) to source documentation. No issues arose from our work.
Allocation of income and expenditure to specific funds and individual Academies within the Academy Trust	We reviewed income and expenditure allocated to specific funds to ensure it has been correctly allocated, including whether specific funds have been correctly classified as restricted or unrestricted funds. We also reviewed income and expenditure allocated to the individual Academies to ensure these have been correctly allocated at 31 August 2016. No issues arose from our work.

Significant risk areas identified at the planning stage	Findings and conclusions
Valuation of the Local Government Pension Scheme ('LGPS')	We reviewed the FRS102 report prepared by the Scheme's Actuaries, including the reasonableness of the key assumptions used by the Actuary in their report. We also ensured that the appropriate disclosures regarding the LGPS deficit have been included in the financial statements. No issues arose from our work.
Capital projects	We reviewed the capital projects undertaken during the period to ensure all income and expenditure has been properly accounted for in the period. This included reviewing repairs & maintenance and other asset purchase expenditure to ensure all expenditure has been properly capitalised at the period end. No issues arose from our work.

6 Summary of audit adjustments

During the course of the audit we identified certain misstatements in the financial statements. These misstatements were discussed with Janice Davison and certain of them have been reflected in the financial statements for the period ended 31 August 2016 on agreement with management as follows:

	SOFA £	Fixed Assets £	Other Assets £	Liabilities £
Balances for the period as per the pre-audit trial balance	810,974	19,637,693	1,602,651	(681,013)
Adjustment to account for opening balance of LGPS deficit at 1 September 2016	-	-	-	(2,231,000)
Adjustment for depreciation charges for the year	(453,851)	(453,851)	-	-
Adjustment for prepayment expenditure at year end	(49,828)	-	(49,828)	-
Adjustment for accrued expenditure at period end	(6,225)			(6,225)
Adjustment for accrued income at period end	7,655		7,655	
Adjustment for bursary funds carried forward at period end	(19,684)			(19,684)
Adjustment to account for LGPS movements at period end	(214,000)	-	-	(214,000)
Adjustment to account for LGPS actuarial loss for period end	(1,530,000)	-	-	(1,530,000)
Balances for the period as per the final financial statements	(1,454,959)	20,091,544	1,560,478	(4,681,922)

7 Summary of unadjusted audit differences


Attached at appendix I to this report is a schedule of unadjusted misstatements (or differences) noted during the course of our work. These have been discussed with management who have confirmed that they do not wish to reflect these misstatements in the financial statements on the basis they are not material to the financial statements for the period ended 31 August 2016. You have also confirmed to us (as set out in point 5 in the letter of representation) that you are satisfied that none of these need to be adjusted for on the basis that they are not material to the financial statements.

8 Transition to the Charities SORP 2015 (FRS102)




The Academy Trust's financial statements for the period ended 31 August 2016 were required to be prepared under the provisions of the Charities SORP 2015 (FRS102). Whilst the transition to the Charities SORP 2015 did not have a significant impact on the Academy Trust, there were a number of additional and enhanced disclosures required in the Trustees' Report together with a number of other changes to and / or additional disclosures within the financial statements. We have reviewed the Academy Trust's transition to the Charities SORP and the impact of any potential transitional adjustments, and all material transitional adjustments have been reflected in the financial statements for the period ended 31 August 2016. We also reviewed the disclosures included in the financial statements and the Trustees' Report and are satisfied that the appropriate disclosures as required under the Charities SORP 2015 have been included within the financial statements and the Trustees' Report.

9 Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Priority*	Control weakness identified	Potential implications	Recommendation	Management response
	Not all of the requirements in relation to the governance arrangements of the Academy have been published on the Academy's website as required by the Academies Financial Handbook (AFH).	As there are a number of specific requirements of the AFH that all Academies must publish on their website, the failure to do this may be considered to be an area of non-compliance.	The Trustees and management should review the mandated requirements in the AFH and ensure that all required information in relation to the governance arrangements are published on the website.	<i>The mandated requirements in the AFH have been reviewed and the majority of information required is published on the website. Full compliance will be achieved on publication of the Year End Accounts for 2015/16 (specifically relating to Directors attendance at meetings).</i>

* The priority of internal control weaknesses and recommendations have been based on the following grading system

-  **High** Observations refer to issues that are so fundamental to the system of internal control that management should address immediately in order to minimise the risk of a material misstatement within the financial statements.
-  **Medium** Observations refer 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.
-  **Low** Observations refer to issues that would, if corrected, improve the system internal control generally and reflect good practice, but is unlikely to have a material impact on the financial statements.

Update on prior year internal control observations

We have reviewed the status of internal control issues raised in our audit completion report for the period ended 31 August 2015, and are satisfied that all matters raised have been satisfactorily resolved by management during the current period.

10 Letter of representation

We have set out a draft letter of audit representations made by management and the Trustees, a copy of which has been provided to Janice Davison electronically. We would be grateful if this could be printed on Academy Trust headed paper, and then signed and dated by the Trustees at the same time as signing the financial statements and then returned to us.

11 Outstanding matters

The following matters are outstanding to be resolved prior to issuing the audit report:

- Signed letter of representation.

12 Other matters

International Standards on Auditing also require us to report to you any significant matters arising from the audit, in respect of:

- Actual or suspected instances of fraud
- Material weaknesses in internal control
- Disagreements with management in respect of significant matters
- Matters relating to our independence that have not already been communicated to you.

We confirm that we have nothing to report to you in respect of the above.

13 Regularity assurance engagement findings

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:

- A review of internal control policies and procedures implemented by the Academy Trust and an evaluation of their design and effectiveness to understand how the Academy Trust has complied with the framework of authorities;
- A review of the minutes of meetings of the Trustees, relevant sub-committees and other evidence made available to us, relevant to our consideration of regularity;
- Enquiries of the Accounting Officer, including a review of the work undertaken by the Accounting Officer in relation to their Statement on Regularity, Propriety and Compliance; and

- Detailed testing of the income and expenditure of the Academy Trust based on our assessment of the risk of material irregularity, impropriety and non-compliance. This work was integrated with our audit of the financial statements where appropriate and included analytical review and detailed substantive testing of transactions.

There were no issues identified from our regularity work and as such, we anticipate that we will issue an unmodified regularity assurance report for the period ended 31 August 2016, subject to the satisfactory clearance of any outstanding matters detailed below.

The following matters are outstanding to be resolved prior to issuing the regularity assurance report:

- Signed letter of representation.

We have set out a draft letter of representations made by the Accounting Officer in relation to our regularity assurance report, a copy of which has been provided to Janice Davison electronically. We would be grateful if this could be printed on Academy Trust headed paper, and then signed and dated by the Accounting Officer at the same time as signing their Regularity Statement and then returned to us.

Summary of unadjusted audit differences

Number	Date	Name	Account No	Reference	Debit	Credit	Proposed Net Income (Loss)	Proposed Amount Chg	Recurrence	Misstatement
Net Income (Loss)							74,041			
13	31/08/2016	Admin & Support - Salaries	BLA2630		10,448					
13	31/08/2016	Accruals	BLA9600			10,448				
		Provision for holiday pay in line with FRS102 requirements			10,448	10,448	63,593	-10,448		
14	31/08/2016	LGPS Additional Pension Contribution	BLA2900		5,183					
14	31/08/2016	Accruals	BLA9600			5,183				
		LGPS additional deficit payment for August 2016 not accrued at year end			5,183	5,183	58,410	-5,183		
18	31/08/2016	Surplus / (Deficit) For The Year	BLA9900		3,949					
18	31/08/2016	Accruals	GFP9600			3,949				
		Balance of Salix loan repayment for GFP due at year end			3,949	3,949	58,410	0		
19	31/08/2016	Gas	BLA3205			19,346				
19	31/08/2016	Prepayments	BLA9320		19,346					
		Refund of gas charges for the prior year received after year end			19,346	19,346	77,757	19,346		
					38,926	38,926	77,757	3,715		

Recent Academy sector developments

Sector development	What you should do?
<p>Academies Financial Handbook 2016:</p> <p>The Academies Financial Handbook 2016 was released by the EFA earlier in the year and is effective from 1 September 2016. The handbook can be found at:</p> <p>https://www.gov.uk/government/publications/academies-financial-handbook</p> <p>The foreword to the handbook and the list of key changes clearly identify governance arrangements as the main focus of the changes for the current year. This is not surprising as perceived governance failings have been a common theme in some of the recent high profile investigations reported in the press and in the EFA's own publications.</p> <p>Included in Annex C of the handbook is a schedule of all the various mandatory requirements for Academy Trusts (i.e. the 'musts') although it also highlights the need to have regarding to the definition of the 'shoulds' included throughout the handbook (i.e. expected minimum good practice).</p>	<p>All Accounting Officers, Trustees and Chief Financial Officers should read the new version of the handbook in full to ensure they are aware of and understand the key changes and requirements of Academy Trusts.</p>
<p>Dear Accounting Officer Letter:</p> <p>Pater Lauener, the Chief Executive of the EFA, issued his latest letter to Academy Trust Accounting Officers on 6 October 2016, which can be found at:</p> <p>https://www.gov.uk/government/publications/letter-to-academy-trust-accounting-officers-october-2016</p> <p>The letter highlights and reinforces the Accounting Officer's responsibilities for regularity, propriety and value for money, as well as highlighting some of the important financial management and governance issues in the sector.</p> <p>The letter also encourages all Accounting Officers to share the letter with the Board of Trustees and senior management team, and to discuss the letter at the next scheduled meeting of the Trustees.</p>	<p>All Accounting Officers, Trustees and Chief Financial Officers should read the latest letter to ensure they are aware of and understand the latest issues affecting the sector and the key focus and expectations of the EFA.</p>

Sector development	What you should do?
<p>Teachers' Pension Scheme (TPS): expected increases in employer contributions:</p> <p>The TPS is going through a formal valuation with a view to revising contribution rates with effect from 1 April 2019. Currently, Academy Trusts pay employer contributions to the TPS at a rate of 16.4%. The early indications from the Scheme's actuaries are that employer contribution rates are likely to increase to 18% to 20%. Teacher salaries are the most significant area of expenditure in Academy Trusts and an increase of this magnitude will have a significant impact on Academy finances going forward.</p>	<p>Academy Trust's should review their medium term (3 – 5 year) financial plans to assess the impact the potential increases will have, and to identify a plan to address the increased costs in light of the current funding environment.</p>
<p>LGPS: expected increase in employer contributions:</p> <p>New employer contribution rates will take effect from 1 April 2017 as a result of the LGPS' formal triennial valuation, setting contribution rates for the coming 3 years. At the time of writing, increases in employer contributions are expected. Although support staff costs are less significant than teaching staff costs, any increases in contribution rates may also have significant impact on Academy finances going forward.</p>	<p>Academy Trust's should review the assumptions used in the current budget forecasts and medium term financial plans to ensure potential increases have been factored in, and identify a plan to address the increased costs in light of the current funding environment.</p>
<p>Apprenticeship levy:</p> <p>With effect from 6 April 2017, all UK employers with an annual pay bill of £3m or more are subject to the Apprenticeship levy, charged at 0.5% of the gross total, less an annual allowance of £15,000. The pay bill represents the total of wages, bonuses, commissions and pension contributions subject to Class 1 secondary NICs. The levy will be paid monthly to HMRC through the PAYE system. The £15,000 allowance is only available once in a Multi-Academy Trust since there is a single employer being the MAT.</p> <p>All employers, irrespective of whether they pay the levy or not, will be able to access funding for apprenticeships and training. The government will apply a 10% top up to funds but these must be spent within 18 months. Larger trusts will have to pay the levy. All academies will be able to employ apprentices, which may be a cost-effective route to developing the work force. This funding will apply to apprenticeships starting from May 2017.</p>	<p>All affected Academy Trusts should calculate the impact on 2016-17 year and beyond, and then identify whether the Trust has any opportunities to make use of the funding available by employing apprentices.</p>

Sector development	What you should do?
<p>Persons with significant control:</p> <p>Since 30 June 2016, the Companies House annual return has been replaced by an annual confirmation statement. In the first confirmation statement, Academy Trusts will need to include the information held in their register of people with significant control (PSC). A PSC is defined as people who:</p> <ul style="list-style-type: none"> • hold more than 25% of a company's shares or voting rights; • have the right to appoint or remove the majority of directors; or • any individuals / trusts who have the right to exercise or actually exercise significant influence or control are PSCs <p>Where an Academy Trust has less than four members, they will usually qualify as PSC's.</p> <p>Academy Trusts must maintain a PSC register comprising the following information, ensuring they confirm the details with PSC's before adding them:</p> <ul style="list-style-type: none"> • name, date of birth, nationality, residential address, service address • date when became a PSC • reason why they are a PSC 	<p>Academy Trusts should ensure they collate the information for the PSC register now as this is a now a current legal requirement.</p>
<p>2015-2016 Academies Accounts Return (AAR):</p> <p>The EFA have announced that the AAR for the period ending 31 August 2016 will be an on-line form this year, similar to the Budget Forecast Return form, replacing the previous Excel spreadsheet. The new on-line form is being designed to simplify and speed up the process for completing and submitting the return.</p> <p>The EFA expect to issue the 2015-2016 AAR form and guidance by mid-November 2016, and they will write to all Academy Trust Accounting Officers at this point with the relevant information. The EFA will also provide a separate Excel workbook and guide to help Academy Trusts prepare their online submission.</p> <p>At this stage, the deadline for the submission of the 2015-2016 AAR will be 31 January 2017. However, the EFA have indicated this deadline will be brought forward in future years.</p>	<p>The EFA will provide regular updates about arrangements for submitting the 2015-2016 AAR via the EFA e-bulletin, and we will similarly keep you updated on developments in relation to this.</p> <p>We will also contact you once the guidance has been released to establish whether you will require any assistance from us in completing the new on-line return.</p>

Sector development	What you should do?
<p>Gender pay gap reporting:</p> <p>New legislation was announced earlier this year that requires all organisations (including Academy Trusts) with more than 250 employees to publish information on their gender pay gap. This information will then be used to prepare new league tables that will highlight the difference in amounts paid to men and women, as well as details of both the average pay gap and bonus pay gap. Information will also have to be published on the number of men and women in each pay range to help identify where the pay gap is at its worst and needs to be tackled.</p> <p>For some Academy Trusts this will not be applicable as they will not have more than 250 employees, but for Multi-Academy Trusts this is likely to be applicable.</p> <p>The regulations are expected to come into force in October 2016 and this information will need to be compiled annually on 30 April. This information only needs to be published on Academy Trust's websites, although some may wish to include the statistics within their annual Trustees' Report. There is no requirement to explain the numbers, although it may prove necessary if the facts provide a detrimental outlook on the Academy Trust.</p> <p>The published information will then be used to produce league tables that will be published in April 2018.</p>	<p>Once the final regulations are published, more will become clear but until then, Academy Trusts should ensure their reporting systems are going to be able to produce the required information.</p>