

Bicester Learning Academy

Audit Completion Report to the Trustees for the Year Ended 31 August 2018

14 November 2018

1 Introduction

This report details the key issues arising during our audit and regularity assurance engagement for the year ended 31 August 2018, 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 regularity 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 of course inform you immediately.

This report has been prepared for the sole use of the Trustees and management of the Bicester Learning Academy ("the Academy Trust"). We understand that you are required to provide a copy of this report to the Education and Skills Funding Agency (ESFA). With the exception of this, our report or any part of it must not be shown to third parties without our prior written consent, nor published on the Academy Trust's website. 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 our work.

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 ESFA accordingly;
- to concisely and constructively report to management and the Trustees on matters arising from our audit and assurance work; and
- to draw your attention to significant deficiencies in internal control which have come to our attention during the course of our audit and assurance 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 report dated 27 September 2018.

4 Audit independence and objectivity

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning report dated 27 September 2018 have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

5 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 year ended 31 August 2018.

6 Summary of significant audit and accounting issues and our findings

Significant risk areas identified at the planning stage	Findings and conclusions
Income recognition	<p>We performed audit procedures to gain assurance that there were no material misstatements in the Academy Trust's income recognition. These procedures included a review of 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 ("AAD").</p> <p>No issues arose from our work.</p>
Management override	<p>We reviewed 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.</p> <p>No indications of management bias were identified during the testing or throughout the rest of our audit testing.</p>
Payroll expenditure	<p>We performed analytical review procedures and other substantive tests of payroll expenditure. This included testing a sample of payroll transactions (including national insurance and pensions) to source documentation, as well as testing the basis and terms of any redundancy, termination or extra contractual payments made during the year to ensure these were made in accordance with the requirements of the Academies Financial Handbook (AFH) and that all relevant disclosures have been included in the financial statements.</p> <p>No issues arose from our work.</p>

Significant risk areas identified at the planning stage	Findings and conclusions
Related and connected parties	<p>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. Where applicable, we also tested a sample of related party transactions to confirm these have been undertaken on an arm's length basis in line with the Academy Trust's own procurement rules and financial guidelines and in accordance with the 'at-cost' rules contained with the AFH. We also tested Trustees' remuneration to ensure all remuneration has been properly approved by the Trustees in line with the requirements of the AFH and the Academy Trust's own pay and remuneration policies, and that the appropriate disclosures have been included in the financial statements as required by the AAD.</p> <p>No issues arose from our work.</p>
Allocation of income and expenditure to specific funds and individual Academies within the Academy Trust	<p>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 and the central service funds to ensure these were correctly allocated and that the balance of funds relating to each academy at 31 August 2018 is correctly stated and disclosed in the financial statements.</p> <p>No issues arose from our work.</p>
Capital projects	<p>We reviewed the capital projects undertaken or ongoing during the year to ensure all income and expenditure has been properly accounted for in the year, and that appropriate procurement procedures have been followed by the Academy Trust in with the relevant terms and conditions of the funding. This included reviewing repairs and maintenance expenditure to ensure all expenditure has been appropriately capitalised. We also ensured that the appropriate disclosures have been included in the financial statements in relation to any outstanding capital commitments at the year end.</p> <p>No issues arose from our work.</p>

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 Actuary, including the reasonableness of the key assumptions used in their report. We also ensured that the appropriate disclosures regarding the LGPS have been included in the financial statements. No issues arose from our work.

7 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 all of them have been reflected in the financial statements for the year ended 31 August 2018 as follows:

	£
Surplus for the year as per the pre-audit trial balance	669,755
Adjustments for to brought forward	(2,228)
Adjustments for depreciation charges for the year	(426,683)
Adjustments to account for Academy Bursary at year end	(49,998)
Adjustment to account for LGPS pension cost charges for the year as per the actuary's FRS102 report	(490,000)
Surplus for the year as per the final financial statements	(299,154)
Adjustment to account for LGPS actuarial movement at the year end as per the actuary's FRS102 report	1,000,000
Net movement in funds for the year as per the financial statements	700,846

8 Summary of unadjusted audit differences

Attached 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 year ended 31 August 2018. 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.

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 any matters reported are limited to those deficiencies that we have identified during the audit. We have not identified any internal control deficiencies during the course of our audit.

Update on prior year internal control observations

We are satisfied that all issues internal control issues raised in prior years have been satisfactorily resolved by management other than as noted below:

Priority*	Control weakness identified and potential implications	Previous recommendation and management response	Current period update
Low	The Trust defers the balance of unspent departmental budgets at year end so these can be carried forward and used in the following year. This treatment is not in line with the Charities SORP and generally accepted accounting practice and has the impact of understating the income for the year. The effect of the amounts deferred at 31 August 2017 is an understatement of income and hence the overall net surplus for the year of £49,614.	<p>Whilst we understand management find this treatment beneficial from an administrative perspective, this is not an appropriate accounting treatment and there is a risk that the financial statements may be materially misstated in future years as a result of this treatment. As such, we recommend management adjust their accounting procedures going forward so that the treatment of these unspent budgets is in line with accepted accounting practice.</p> <p><i><u>Management response:</u> Directors are keen to ensure that Budget Holders have flexibility within financial management of their budgets, to allow them to plan effectively for curriculum changes, additional resources etc. It is anticipated that unspent balances will diminish over time, as there is increased pressure on Academy budgets within limited resources. Adjustments will be made to accounting procedures to ensure that treatment of unspent departmental budgets is in line with the Charities SORP and accepted accounting practice.</i></p>	Unspent departmental budgets have again been deferred at year end, with the total amount deferred at 31 August 2018 being £56,936. Whilst management and the Trustees acknowledge the current treatment is not in line with the Charities SORP and generally accepted accounting practice, they continue to find it more beneficial from an administrative perspective. The net effect of this treatment in the current year, after allowing for the unspent departmental budgets brought forward at 31 August 2017 is an overstatement of expenditure of £7,322, which management and the Trustees do not consider to be material to the overall result and financial position of the Academy Trust at 31 August 2018.

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

- High** Issues which are so fundamental to the system of internal control that management should address these immediately in order to minimise the risk of a material misstatement.
- Medium** Issues which have an important effect on the system of internal control and which, if left uncorrected, could potentially lead to a material misstatement.
- Low** Issues which would, if corrected, improve the system internal control generally and reflect good practice, but are unlikely to have a material misstatement.

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

Prior to issuing the audit report, we require the following:

- The signed letter of representation and the signed Trustees' report and financial statements.

12 Other matters to report

Under the ISAs we are also required to report on whether:

- The Trustees' use of the going concern basis of accounting in preparing the financial statements is not appropriate or whether the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Academy Trust's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue; or
- The other information published alongside the financial statements, being the Trustees' report (including the strategic report) and related statements (such as the governance statement), is materially inconsistent with the financial statements; or
- The Trustees' report, including the strategic report, has not been prepared in accordance with applicable legal requirements; or
- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Trustees' remuneration specified by law have not been made; or
- We have not received all the information and explanations we require for our audit.

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 2016 to 2017 issued by ESFA. 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 Local Governing Bodies 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 year ended 31 August 2018, subject to the satisfactory clearance of any outstanding matters detailed below.

Prior to issuing our regularity assurance report, we require the following:

- The signed letter of representation in relation to regularity and the signed regularity statement by the Accounting Officer.

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
Net Income (Loss)							-299,153	
25	31/08/2018	Furniture/Equipment	GFP5200	J5		18,212		
25	31/08/2018	Accruals	GFP9600	J5	18,212			
25	31/08/2018	Furniture/Equipment	TCS5200	J5		38,723		
25	31/08/2018	Accruals	TCS9600	J5	38,723			
Being department underspends carry forwards that should be included in fund balances rather than accruals at year end					56,935	56,935	-242,218	56,935
29	31/08/2018	DfE Devolved Formula Capital Grant	GFP8100	J7		8,995		
29	31/08/2018	Deferred Income	GFP9605	J7	8,995			
29	31/08/2018	DfE Devolved Formula Capital Grant	TCS8100	J7		8,798		
29	31/08/2018	Deferred Income	TCS9605	J7	8,798			
Being DFC income deferred at year end that should be recognised in full in the year as a capital grant					17,793	17,793	-224,425	17,793
30	31/08/2018	Furniture/Equipment	TCS5200		49,614			
30	31/08/2018	Accruals	TCS9600			49,614		
Being impact of reversing prior year deferred carry forward					49,614	49,614	-274,039	-49,614
					124,342	124,342	-274,039	25,114

Income and Expenditure Summary

We recognise that, due to the specific format of the financial statements that Academy Trusts are required to follow, it is not always straightforward to understand what the true underlying operating result of the Academy Trust is.

The table below summarises the overall financial results of the Academy Trust for the year ended 31 August 2018 according to the specific funds it holds:

	Unrestricted funds £	Restricted funds £	Pension reserve £	Fixed asset fund £	Total funds £
Income	361,553	8,070,480	-	444,865	8,876,898
Expenditure	(212,395)	(8,046,974)	(490,000)	(426,683)	(9,176,052)
Net income / (expenditure) for the year	149,158	23,506	(490,000)	18,182	(299,154)
Transfers between funds	-	-	-	-	-
LGPS actuarial gains / (losses)	-	-	1,000,000	-	1,000,000
Net movement in funds for the year	149,158	23,506	510,000	18,182	700,846
Funds brought forward at 1 September 2017	666,193	189,067	(3,479,000)	20,446,542	17,822,802
Funds carried forward at 31 August 2018	815,351	212,573	(2,969,000)	20,464,724	18,523,648

The overall **net operating surplus for the year is £172,664**, which is represented by the net income for year of £149,158 on unrestricted funds and the net income for the year on restricted funds of £23,506.