

Sandye Place Academy

Audit Summary Memorandum – year ended 31 August 2016.

Sandye Place Academy

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Year ended 31 August 2016



Sandye Place Academy

Achievement Through Partnership

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1. Introduction and Coverage

This report summarises our key findings in connection with the audit of the financial statements in respect of the period ended 31 August 2016.

A summary of adjusted and unadjusted misstatements identified during the audit is included in Sections 7 and 8.

We consider that the audit approach adopted will provide the directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report and pending the resolution of points noted in section 6, we anticipate no modifications to our pro-forma audit report which is an unqualified report.

2. Audit opinion

Based upon the work that we have conducted, coupled with discussion with senior management as to the Academy's plans and intentions, we have concluded that an unqualified audit opinion will be given.

In addition, as communicated at the planning stage, we have performed such audit work as we consider necessary in support of our opinion on the statement of regularity, propriety and compliance and can confirm that this opinion will also be unqualified.

3. Audit and accounting issues identified at planning stage

Set out below is an overview of those matters that we considered as part of our Audit Plan to be the key business and audit risks for the audit period, together with our proposed audit approach to these risks. We have provided comments as to how we have resolved the issues identified and their impact, if any, on the Trust's financial statements.

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Key area of audit focus	Our approach (unchanged)	Resolution
<p>Property assets</p> <p>Property represents by far the largest single asset under the academy's control. The audit therefore recognises the importance of confirming the academy holds appropriate title / tenure of its premises and that they are properly reflected in the financial statements.</p>	<p>We shall perform land registry searches to confirm the school's title to / tenure of its premises and that the financial statements properly disclose this.</p> <p>The audit will also have regard to the carrying value of the premises and whether the prevailing valuation remains appropriate.</p>	<p>The academy's tenure of its premises has been corroborated and this is appropriately disclosed in the financial statements.</p> <p>There are no material concerns over the carrying / book value of the property assets in those accounts.</p>
<p>Management override</p> <p>By definition this is a risk area and the audit must recognise that the Head and possibly others in positions of control may by-pass the Trust's systems of internal control in the execution of their duties and in the spending of Trust monies.</p>	<p>We will perform test checks to ensure that expenses and payments have been made in accordance with the Trust's written procedures and that their true nature is reflected in the financial statements.</p> <p>If there are other suspected or discovered irregular payments, we will discuss with the Trust how these are to be tackled (by ourselves or the EFA).</p>	<p>A sample of expenses and payments have been tested during the audit. Those tested were made in accordance with the Trust's written procedures and their true nature is reflected in the financial statements.</p> <p>No instances of irregular payments have been discovered during the audit that require discussion with the Trust.</p> <p>There is no evidence that internal controls have been overridden.</p>

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Key area of audit focus	Our approach (unchanged)	Resolution
<p>Revenue recognition (GAG)</p> <p>This is by definition a high risk area in which we need to ensure all material income due to the Trust is recognised in the accounts and in the correct period.</p> <p>The principal income stream is the Trust's GAG revenue, but we shall also give attention to other grant income streams where the risk of revenue cut off error may be greater.</p>	<p>Normal audit work will be performed on completeness of income (proof in total, cut off etc). However, we need to be alert to any netting off of income against expenditure that may be designed to conceal irregular expenses / payments.</p> <p>We shall also be alert to confirm all material sources of grant income to ensure there has been no misappropriation of income.</p> <p>This may involve direct confirmation with the grant funder.</p>	<p>All material sources of grant income have been confirmed to funding statements and there are no material cut off errors that remain unadjusted.</p> <p>No instances of material netting off have been identified in the accounting records.</p>
<p>Payroll</p> <p>Payroll costs (and incidental overheads such as pension contributions) represent the largest expense of the Trust.</p> <p>The risk is that salary and / or pension costs may be misstated or misclassified in the financial statements.</p>	<p>The audit will reconcile stated payroll and pension costs to the payroll and Local Government actuarial report. We will also have regard to unusual changes in average staff numbers and average remuneration to ensure there is no concealment of irregularity.</p> <p>We will also test check individual personnel details and salaries to ensure salaries are being paid at the authorised rates.</p>	<p>Payroll costs have been reconciled to the payroll, with pension costs being agreed to the payroll and (in relation to LGPS members) the Local Government actuarial report.</p> <p>Satisfactory explanations have been provided for changes in staff numbers and average remuneration.</p>

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Key area of audit focus	Our approach (unchanged)	Resolution
<p data-bbox="286 306 779 363">Local Government Retirement Benefits Position</p> <p data-bbox="286 402 779 491">The Local Government pension liability is a significant balance sheet item and is reliant on independent third party valuation.</p> <p data-bbox="286 529 779 619">The risk is that the Trust has not fully complied with the accounting treatment as required by Local Government.</p> <p data-bbox="286 657 779 778">The accounting balances and disclosures reported in the financial statements may not be correct. Our audit focus will be on the Local Government valuation and disclosures.</p>	<p data-bbox="806 402 1397 523">We will undertake a review to ensure that the Trust's management have checked the data and considered the assumptions used by the actuary in preparing the Local Government valuation.</p> <p data-bbox="806 561 1397 651">We will also obtain and review a copy of the Local Government actuarial valuation to support the disclosures in the financial statements.</p> <p data-bbox="806 689 1397 778">We will compare the actuarial assumption used for this Trust with those used for other Trust clients to ensure consistent.</p>	<p data-bbox="1424 402 1964 523">The data used for the Local Government valuations appears to be materially correct and the underlying assumptions consistent with those applied to other Academies.</p> <p data-bbox="1424 561 1964 810">The deficit attributable to the Academy has worsened significantly this year due principally to a change in actuarial assumptions. This change has been driven by the fall in corporate bond yields in the period up to 31 August 2016 which are used to calculate the present value of scheme liabilities. This fall in discount rate has caused the present value of net scheme liabilities to rise sharply.</p> <p data-bbox="1424 849 1964 938">However the deficit will be managed by increases in future contribution rates that at this stage are not considered to be unmanageable.</p>

4. Audit and accounting issues identified during the audit

There are no other issues identified during the audit that were not addressed at the planning stage and highlighted in our Audit Plan that we consider should be brought to the attention of those charged with governance.

Outcomes of our audit work in other risk areas identified at the planning stage were all benign, in that audit work allows us to reasonably conclude as follows:

- Funding for the academy's operations is not materially misstated in the financial statements
- Capital work and related income has been correctly accounted for
- There is no evidence of an impairment review being required against the academy's land and buildings
- There are no issues arising from our work that threaten the going concern assumption
- Our transaction testing of purchases, procurement, expenses and journals has not identified any instances of irregularity that would lead to a qualification in our EFA regularity assurance report
- Dealings with related parties have been identified and disclosed. We have reported separately in our management letter regarding the possible profit made by trustees engaging in the provision of services to the academy.
- No material classification discrepancies have been identified in the financial statements
- No trading issues or tax threats have been identified at this stage
- No evidence of management override or use of irregular journals has been found
- No settlement payments to staff have been made during the year.
- The financial statements are compliant with FRS102. Adjustments have been made to accounting treatments as required to meet the requirement of the new standard.

5. Management letter points

Management letter points arising are set out in the accompanying final audit management letter. Interim audit matters have already been communicated to you, where necessary.

These letters do not constitute a comprehensive statement of all weaknesses that may exist in internal controls or of all improvements which may be made. An audit is not designed to identify all matters that may be relevant to the directors. Accordingly the audit does not ordinarily identify all such matters.

6. Uncertainties, risks, exposures, estimates, judgemental issues and going concern

No significant uncertainties, risks, exposures, estimates, judgemental or going concern issues were noted by the auditors for which the auditors believe it is necessary to communicate to those charged with governance.

7. Unadjusted misstatements

There are no unadjusted misstatements to note.

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8. Adjusted items

The following adjustments were made as a result of the audit work. Accounts adjustments arising prior to the audit are not reported here.

Nature of item	Adjusted misstatements	
	Income & Expenditure effect Dr/(Cr) £'s	Balance Sheet effect Dr/(Cr) £'s
Potton Windows receipt made in error	7,053	(7,053)
Accrue back pay for support staff	2,000	(2,000)
Adjustment for irrecoverable VAT overstated 2015	(2,953)	2,953
Trading subsidiary audit fee accrual	1,500	(1,500)
TOTAL ADJUSTED ITEMS	<u>7,590</u>	<u>(7,590)</u>

Changes were made to the disclosure in the financial statements as required to improve presentation and ensure compliance with applicable accounting standards.

9. Consultation on difficult, ethical or contentious issues

No ethical conflicts have arisen from our work other than those identified and communicated to you at the planning stage.