



Fortis Trust (formerly Bradfields Academy)

# Audit Findings Report

Audit for the year ended 31 August 2018

Presented to the Trustees on 12 November 2018

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## 1. Introduction

MHA MacIntyre Hudson present our audit report and management letter solely for the attention of Fortis Trust (formerly Bradfields Academy) following our audit of the financial statements for the year ended 31 August 2018. This report summarises key issues in connection with the audit of the financial statements and with the regularity assurance engagement, which we consider should be drawn to the attention of the Trustees.

In order to comply with the provisions of International Standards on Auditing we are required to report to you our audit findings and in particular:

- The nature and the scope of audit work we have undertaken;
- Views about the qualitative aspects of your accounting practices and financial reporting;
- Unadjusted and adjusted misstatements;
- Matters specifically required by Auditing Standards to be communicated to those charged with governance (such as fraud and error);
- Expected modifications to our auditor's report;
- Material weaknesses in the accounting and internal control systems ;and
- Any other relevant and material matters relating to the audit.

We note that the Academy is required to provide a copy of this report to the Education and Skills Funding Agency (ESFA) by 31 December 2018 together with the Academy financial statements.

The report has been prepared solely for the purpose of recording the audit scope, approach and risk areas and for communicating audit issues raised with those charged with governance.

We would be grateful if you will in due course advise us what action you propose to take on the recommendations in the report and also if you would like our further assistance on these or any other matters.

The report has been prepared in compliance with ESFA's requirement for reporting to both the Trustees and ESFA through a management letter. No reports may be provided to third parties, with the exception of ESFA, without our prior consent. Consent will only be granted on the basis that such reports

are not prepared with the interests of anyone other than the Academy in mind and we accept no duty of care or responsibility to any other party. The report may not be relied upon for any other purpose. No responsibilities are accepted by MHA MacIntyre Hudson towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all the Academy's staff that assisted us in carrying out our work - particularly Lesley Harris and her team.

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**MHA** MacIntyre Hudson  
Chartered Accountants, Tax and Business Advisers

Section 2

# The audit process



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## 2. The audit process and areas covered by the audit assignment

### 2.1 Independence and Objectivity

Under current UK Ethical Standards, we are required to write to you to give you full and fair disclosure of any matters that may relate to our independence, or the perception of our independence, as the Academy's auditors. The Financial Reporting Council's Ethical Standard applies to this assignment.

MHA MacIntyre Hudson operates safeguards in order to ensure that we act independently. We have ensured that the partners and staff on this audit do not have any connections with the Academy, or with its trustees or its staff.

We note that in addition to performing the statutory audit, we also provide the following non-audit services:

- a) preparation of the statutory financial statements from the Academy trial balance;
- b) Report on the Teachers Pension return End of Year certificate (EOYC);
- c) provision of general advice/VAT advice as required;
- d) testing of internal controls and systems and similar review work
- e) preparation of Academies Accounts Return

The following safeguards are in place in respect of the provision of the above non audit services to ensure our independence:

- preparation of statutory financial statements from the Academy trial balance is considered to be a mechanical function presenting the Academy's results into the required format. Any adjustments to the figures have been made following discussion with the Academy and approval by the Business Manager. The financial statements are prepared by an accounts team that are separate from the audit team;
- The completion of the TPA return does not affect our audit work for the statutory audit and we use agreed upon procedures;
- VAT advice is provided by our VAT experts who are independent of the audit team. Corporation tax services are provided by staff independent of the audit team. General advice and assistance with accounting queries during the period is not considered significant for this Academy.

- Testing of internal controls during the course of the year has been carried out by staff who are not part of the audit team on this assignment (and the impact of their work on the conduct of this audit has been considered by an Ethics Partner).
- Assistance with preparation of the Accounts Return is a mechanical function. Any judgemental treatments are determined by the Trust.

### 2.2 Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of the Academy. The work we have done was not primarily directed towards identifying weaknesses in the Academy's accounting systems other than those that would affect our audit opinion, nor to the detection of fraud.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all weaknesses that may exist or improvements that could be made.

To a certain extent the content of this paper comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.

### 2.3 Responsibilities

The Governors are responsible for preparing the Trustees' Report and Financial Statements. MHA MacIntyre Hudson as auditors of Fortis Trust are responsible for forming an opinion on those Financial Statements, as detailed in our engagement letter.

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## 2. The audit process and areas covered by the audit assignment

### 2.4 Audit approach and scope

The objective of the audit of the financial statements is to enable us to provide an audit opinion on whether the financial statements of the Academy show a true and fair view of the state of the Academy Trust's affairs at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and whether the information in the Trustees' Report is consistent with the financial statements.

We also consider whether the financial statements comply with United Kingdom Generally Accepted Accounting Practice, the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency and the Statement of Recommended Practice for Charities.

Our audit work is designed to provide the required assurance that the financial statements are free from material error, and to enable us to have a reasonable expectation of detecting material misstatements in the financial statements that result from irregularities or fraud. However, our audit of the financial statements is not a comprehensive report covering all of the systems and controls.

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 operates. We tested controls, carried out analytical review tests and completed substantive testing, verifying specific transactions or balances. At the planning stage, we designed audit tests to provide us with sufficient audit evidence to support an opinion as to whether the financial statements show a true and fair view.

To summarise our approach, we:

- updated our understanding of the organisation 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 are those which are derived from business risks that may result in a material misstatement, relate to unusual transactions that occur infrequently, or judgmental 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 proportionately less detailed.

### 2.5 Areas covered by the audit

During the course of our audit work and regularity engagement we reviewed the accounting systems and procedures operated by the Academy. Our work included:

- reviewing the existence and completeness of General Annual Grant (GAG) and other income;
- review of bank reconciliations;
- checking the authorisation of expenditure;
- review of payroll control, calculation and authorisation;
- review of authorisation and validity of journals;
- checking the validity of balance sheet items;
- checking that income and expenditure relating to the GAG has been reflected accurately in the accounts;
- reviewing the register of interests and minutes to ensure that all related parties have been disclosed adequately;
- reviewing the related party transactions in respect of at cost issues;
- checking that all capital expenditure has been correctly identified in the accounts; and
- checking restricted income and expenditure allocation.

### 2.6 Fees

Our audit and non-audit fees were detailed within our audit planning memorandum. We can confirm that, at the time of writing, there have not been any additional fees incurred during the audit process.



The background image shows two young women in school uniforms (maroon blazers and striped ties) sitting at a wooden desk. They are focused on a blue robotic car, which is a LEGO Mindstorms Technic-based vehicle with two large wheels and a sensor. The student on the right is adjusting a component on the robot. The student on the left is looking on with interest. In the background, there are educational posters on the wall. A large, abstract graphic overlay is present on the left side of the image, consisting of overlapping yellow, teal, and dark blue shapes.

Section 3

# Key audit areas

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## 3. Key audit areas

In the conduct of our audit, we have not had to significantly alter or change our audit plan, which we communicated to you in our Audit Planning Memorandum. The key areas of audit focus which we had identified as part of our overall audit strategy and how they have been resolved, are as follows:

	Audit Area and key risks	Considerations on approach	Outcome
1	<b>Financial reporting</b>  There is a risk that the respective Trustees' Report and financial statements are not fully compliant with the revised Charities SORP FRS102 and the Academies Accounts Direction 2017/18, or are materially misstated through errors in their compilation.	We reviewed the Trustees' Report for consistency with the financial statements and to ensure it complies with applicable regulatory (Academies Accounts Direction 2017/18) and Charities SORP FRS102 requirements.	Audit work performed as planned—no exceptions
2	<b>Misstatement of income - Grant Funding and other income</b>  There is significant grant funding received by the Academy Trust in addition to GAG funding. Other income should be recognised as restricted income where appropriate, and in accordance with Charities SORP FRS 102 and the funding agreement.	We tested the allocation of income received to ensure it is restricted; the expenses met by the GAG reserves, and reviewed supporting records to ensure that GAG expenditure is correctly allocated. We tested the records to ensure that the expenses are appropriately accounted for in the GAG restricted funds.  The Academy's accounting policies in respect of restricted income and unrestricted income was reviewed. We ensured that the accounting policy correctly reflected the requirements of the Academies Accounts Direction and Charities SORP FRS102 in respect of the entitlement, probability and measurement of the income.  We also reviewed the allocation of income to restricted and unrestricted funds.	Audit work performed as planned—journal adjustments made as noted in section 4.
3	<b>Future plans and Going Concern</b>  The Trustees will need to consider whether the Academy Trust will be a "going concern", giving consideration to at least 12 months from the approval of the accounts (i.e. to 31 December 2019).	We reviewed and considered the cash flow forecasts and budget forecasts of the Academy and consider the assumptions made in relation to going concern to ensure these remain appropriate, ensuring that the Academy is operating within its financial limits and it has sufficient resources to continue for at least 12 months following the date of approval of the financial statements.	Audit work performed as planned—no exceptions



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	Audit Area and key risks	Considerations on approach	Outcome
4	<b>Expenditure – Existence and Allocation</b> The Trustees are responsible for ensuring that expenditure from restricted funds is correctly allocated. We will review the allocation of income and expenditure of restricted and unrestricted funds; ensuring restricted funds are used for the purposes intended.	We reviewed the allocation of expenditure between restricted and unrestricted funds, checking that expenses are correctly allocated and used for the purposes intended.	Audit work performed as planned—journal adjustments made as noted in section 4.
5	<b>Payroll - Accuracy, Existence and Completeness</b> Salary costs are the largest item of expenditure of the Academy.	We reviewed the reconciliations of the payroll records with the disclosures in the financial statements. We tested controls over payroll and completed substantive testing to provide assurance that the payroll information is accurately reflected in the financial statements.	Audit work performed as planned—no exceptions
6	<b>Pension Scheme Liability - Valuation</b> The pension liability represents the Academy Trust's share of the deficit of the Local Government Pension Scheme. The amount recognised is an estimate, and has been recorded from the valuation undertaken by the Scheme's actuary. There remains a risk that the amount may be materially misstated if the assumptions used by the Scheme's actuary are not appropriate.	We reviewed the actuarial valuation for the Academy that has been presented by the actuary. We completed review procedures on the estimates to determine our reliance on this work. We ensured that the Academy checks the data which has been provided for the actuarial report and we considered the relevance of the assumptions used by the actuary in preparing the 2018 valuation.  We checked the pension disclosures in the financial statements to ensure these reflected the assumptions used.	Audit work performed as planned—no exceptions
7	<b>Regularity</b> ESFA have highlighted in the Academies Financial Handbook their Schedule of Requirements (the 'musts') that are an essential obligation for all Academies.	We have considered your answers to our questions and evidence relating to the 'must' requirements as part of our audit work.	Audit work performed as planned—exceptions noted in section 5.

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	Audit Area and key risks	Considerations on approach	Outcome
8	<b>Fixed Assets – Existence and Completeness</b>	We have reviewed assets capitalised to ensure the accounting policies have been applied. We have tested the existence of fixed assets, on a sample basis, to gain comfort that the assets recorded in the fixed asset register are valid assets owned and used by the Academy Trust.	Audit work performed as planned—journal adjustments made as noted in section 4 and recommendations noted in section 6.
9	<b>Creditors – Completeness and Valuation</b>	<p>We have tested trade creditors and accruals to ensure that the balances are valid, accurate and complete. Tax liabilities and other creditors have been reviewed and verified to supporting documentation. We have considered whether possible capital works and other liabilities around the year end need to be accrued.</p> <p>We have checked if any provisions are required for potential clawbacks of income and whether these should be reflected in the accounts if material.</p> <p>We have considered income recognition policies for income arising from capital grants such as the School Building Programme, and pupil funding relating to universal infant free school meals in relation to deferred income at the year end.</p>	Audit work performed as planned—journal adjustments made as noted in section 4 and recommendations noted in section 6.

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## 3. Key audit areas

### 3.1 Materiality

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 the impact of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in 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.

We have assessed the materiality for this assignment by considering the total income of the Academy, net of capital income together with the relevant expenditure, gross and net assets at 31 August 2018 and other relevant indicators. A lower measure of materiality was set for those specific areas where the nature of the transactions requires this, for example in respect of related party transactions.

Where individual errors, or accumulated errors found during the course of the audit, are in excess of materiality, these are discussed with you and adjustments made to the financial statements. If the adjustments had not been made, our audit report would be modified. Where adjustments are found during the audit which are below the relevant materiality level, they have been sent to you for consideration by the Trustees.

### 3.2 Significant concerns

During the course of our audit and regularity assurance engagement for the year ended 31 August 2018 we noted matters which we consider should be brought to your attention. We note that these matters came to light during the course of our normal audit and assurance tests. These tests are designed to assist us in forming our opinion on the financial statements and providing a limited assurance conclusion 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 audit and assurance tests, we would, of course, inform you as soon as practical.

We note in Section 5 the issues arising from our regularity audit. Significant concerns arising from the 'true and fair' audit of the financial statements, which do not impact regularity, are included at Section 6. The importance of these issues has been considered and the perceived risk rated as high, medium or low, following our discussion with the Business Manager. Recommendations for changes in procedures in order to address these areas have also been included.

### 3.3 Regularity opinion

Our regularity opinion in the financial statements must reflect all significant and material issues that have been raised in this management letter.

There are no significant issues detailed in this management letter which are required to be included in the regularity opinion, hence the regularity opinion in the financial statements has not been modified.

Where we have identified areas of irregularity, but have concluded that the irregularity is not material by virtue of the value or nature of the issue, this has been included in the summary tables in section 5. This is included in order for the Education and Skills Funding Agency to have full information relating to all regularity issues, enabling them to draw an overall conclusion on regularity in the Academy Trust.

The Trustees' responses to the issues raised, together with a timescale for action, have been included where these have been received prior to the finalisation of this report.

Recommendations made by us in the previous year relating to the audit of the financial statements and the regularity audit have been included together with any changes on the issues raised.

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## 3. Key audit areas

### 3.4 Audit status

The audit work on the financial statements is now substantially complete and we anticipate issuing an unqualified statutory audit opinion for the year ended 31 August 2018 for the Academy, following:

- Receipt of approved Trustees Report and Financial Statements signed by the Board;
- Receipt of a signed letter of representation (provided under a separate cover)

### 3.5 Letter of Representation

We have forwarded a letter of representation for your review and approval, as part of your overall review of the Trustees Report and Financial Statements. It is important that this is reviewed and approved by “those charged with governance”. We have included one non-standard representation, related to the recognition of Top Up funding received from Medway County Council due to the lack of written documentation available to support the timing of income recognition and loan repayment arrangements.

In particular we also draw your attention to the representation, and corresponding declaration in the Trustee’s Report, regarding provision of all information to auditors.





**MHA** MacIntyre Hudson  
Chartered Accountants, Tax and Business Advisers

Section 4

# Amendments to financial statements and audit findings

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## 4. Amendments to financial statements and audit findings

### 4.1 Amendments to financial statements

In accordance with International Standards on Auditing we are required to report any material adjusted audit misstatements arising from our work. We are also required to report any unadjusted audit misstatements and why they are unadjusted, other than those that are “clearly trivial”. These are both set out in tables below.

As Trustees of the Academy, you are responsible for preparation of the financial statements and for the review of the adjusted and unadjusted items. Trustees are required in the letter of representation to confirm that the unadjusted items do not require adjustment in the financial statements. Those below the trivial threshold are not listed.

### 4.2 Risk of fraud and error in the financial statements

We are required under International Standards on Auditing to consider fraud risk throughout the audit. In particular we must consider management arrangements for preventing and detecting fraud and error.

Fraud risks may include asset sales at under value, suppliers over billing for goods or services, misappropriation of assets and cheque frauds, as well as manipulation of financial results.

Our work has not identified any matters which we wish to draw to your attention.

### 4.3 Accounting policies

Financial Reporting Standard FRS102 and FRS102 Charities SORP, requires that entities should review their accounting policies regularly to ensure that they are appropriate to their particular circumstances for the purpose of giving a true and fair view.

We have reviewed the Trust’s accounting policies, as stated in the financial statements, and confirm that they are appropriate to provide relevant, reliable, comparable and understandable information.

### 4.4 Accounting estimates

As auditors, we are aware that the selected basis of an accounting estimate may have a significant impact on the financial statements so in our work we need to identify all accounting estimates and the basis of the estimate and, where we consider there to be a high estimation uncertainty, we must ensure our audit work challenges the basis of the estimate.

We are also required to consider the outcome of accounting estimates in prior periods as a basis for our risk assessment in the current year.

In the Trust’s accounts, the most significant accounting estimates concern - depreciation of fixed assets, classification of funds, cost allocation, the basis and calculation of the provision for bad and doubtful debts, valuation of donations/services in kind and asset value scheme assumptions.

We have reviewed the accounting estimates for the Trust and conclude that they have been calculated on a basis that is consistent with our knowledge of the Trust and expectations.

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## 4. Amendments to financial statements and audit findings

ADJUSTED MISSTATEMENTS	SOFA Debit £'s	SOFA Credit £'s	Balance Sheet Debit £'s	Balance Sheet Credit £'s
<b>Surplus/(Deficit) per draft statutory accounts</b>		388,318		
<b>Grant income</b>	13,200			
<b>Direct expenditure</b>		13,200		
<b>Being remove Vulnerable students bursary from the financial statements as agency arrangements</b>				
<b>LA funding</b>		55,833		
<b>ESFA GAG funding</b>	49,110			
<b>Other educational income</b>	6,723			
<b>Being reclassifications of income to correct note headings</b>				
<b>Capital additions</b>			15,300	
<b>Premises expenditure</b>		15,300		
<b>Depreciation—balance sheet</b>				241,803
<b>Depreciation charge—expenditure</b>	241,803			
<b>Being capitalisation of costs posted to revenue expenditure and posting of depreciation on fixed assets</b>				
<b>Capital grant income</b>		117,241		
<b>Donations</b>		8,000		
<b>Capital additions</b>			81,966	48,608
<b>Accrued income</b>			43,275	
<b>Premises expenditure</b>	36,322			
<b>Other income</b>	14,744			
<b>VAT debtor</b>				2,458
<b>Being bring in capital income due and reclassify misposting of capital cost netted in income</b>				
<b>Bank</b>			130,000	
<b>PAYE creditor</b>			26,250	
<b>Trade creditors</b>			700	
<b>Expenditure</b>	8,144			
<b>Salary expenditure</b>		21,250		
<b>Other creditors</b>				143,844
<b>Being correction of erroneous balance sheet balances</b>				

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## 4. Amendments to financial statements and audit findings

ADJUSTED MISSTATEMENTS (CONTINUED)	SOFA Debit £'s	SOFA Credit £'s	Balance Sheet Debit £'s	Balance Sheet Credit £'s
<b>Capital grant income</b>	205,367			
<b>Other ESFA income</b>		205,367		
<b>Being correction of opening accrual reversal posting</b>				
<b>Other government grants</b>	279,167			
<b>LA grants</b>		279,167		
<b>Being correction to Medway Council income posting</b>				
<b>Prepayments</b>			35,489	
<b>Expenditure</b>		35,489		
<b>Being post prepayments identified</b>				
<b>Accruals</b>				134,296
<b>Expenditure</b>	15,883			
<b>Capital additions</b>			118,413	
<b>Being post accruals identified</b>				
<b>Intangibles amortisation—balance sheet</b>				1,292
<b>Intangibles amortisation—SOFA</b>	1,292			
<b>Being post amortisation charge</b>				
<b>Expenditure</b>	42,275			
<b>Trade creditors</b>				47,529
<b>VAT debtor</b>			5,254	
<b>Being post additional creditors identified in cut off testing</b>				
<b>Staff costs</b>	344,000			
<b>Finance cost</b>	54,000			
<b>Actuarial gains</b>		618,000		
<b>Pension liability</b>			220,000	
<b>Being post defined benefit pension scheme movement for the year</b>				



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ADJUSTED MISSTATEMENTS (CONTINUED)	SOFA Debit £'s	SOFA Credit £'s	Balance Sheet Debit £'s	Balance Sheet Credit £'s
<b>Accrued income</b>			16,974	
<b>Pupil Premium</b>		16,974		
<b>Being post accrued income for July and August 2018</b>				
<b>Loans</b>				250,000
<b>LA grant income</b>	250,000			
<b>Being remove £250k advance funding recognised in income</b>				
<b>ESFA GAG income</b>	31,316			
<b>Other ESFA income</b>		31,316		
<b>Being to reclassify Year 7 catch up and PE grant income</b>				
<b>Other income</b>	5,401			
<b>Other creditors</b>				5,401
<b>Being to remove funds held on behalf of the PTFA</b>				
<b>Subtotal of all adjustments</b>	1,598,747	1,417,137	693,621	875,231
<b>Net impact of adjustments made</b>	181,610			
<b>Surplus/(Deficit) per final statutory accounts</b>		206,708		

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UNADJUSTED MISSTATEMENTS	SOFA Debit £'s	SOFA Credit £'s	Balance Sheet Debit £'s	Balance Sheet Credit £'s
<b>Other debtors</b>			4,235	
<b>Staff costs</b>		4,235		
<b>Being recognition of holiday pay debtor balance as at the year end</b>				
<b>Loss on disposal of intangibles</b>	1,292			1,292
<b>Intangible NBV</b>				
<b>Being remove balance in software that is not an intangible asset</b>				
<b>Net impact of unadjusted errors identified</b>		2,943		

Section 5

# Regularity issues



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## 5. Regularity issues

We have set out below the regularity issues that arose during the course of our work. The Trustees' responses to the issues raised, together with a timescale for action, have been included where these have been received prior to the finalisation of this report. All observations have been graded as low, medium or high risk, as noted below, reflecting our initial assessment of priorities, but it is for the trustees to decide what actions are necessary.

Regularity issues and potential consequences	Significance and recommendations	Trustees' response	Timescale and responsibility for implementation
It was noted that in 1 out of 12 months that the principal has not signed the bank reconciliation as second level authorisation, in contravention of the finance policy.	The control is not operating as intended therefore it could lead to funds being misappropriated. We would recommend the academy ensures that the principal signs bank reconciliations each month. In accordance with its systems.	This was an oversight. One document was missed. Going forward this will be double checked.	Immediate
An alcohol purchase was identified ; this was one bottle of Sherry for a Christmas cake cooking course held for staff as part of a training day. It was paid for with unrestricted funds. This is not considered in our opinion to contravene the academies' policies and due to the trivial value does not in our judgement appear irregular, however in line with guidance published this year we are reporting this fact.	This could be deemed to be an irregular use of funds, however was made pre the issue of ESFA guidance. We recognise the academy has not purchased alcohol since the announcement and recommend that this continues.	Noted and agreed	Immediate





**MHA** MacIntyre Hudson  
Chartered Accountants, Tax and Business Advisers

Section 6

# Internal control deficiencies

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## 6. Internal control weakness

### 6.1 Significant deficiencies in Internal Control

We have set out below significant deficiencies in internal control which came to our attention during the course of our audit work. We would highlight that this does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

We have prioritised our recommendations into the following categories:

- High– matters that we consider fundamental, against which management should take action as soon as possible;
- Medium – matters that we consider significant, that should be addressed within a reasonable/ defined timeframe; and
- Low – matters that merit attention and would improve overall control, or are options to promote better or more efficient practice.

Weakness and potential consequences	Significance and recommendations	Trustees' response	Timescale and responsibility for implementation
[Low] The academy does not keep an up to date fixed asset register that reconciles directly to the amounts included in the trial balance, instead using Parago to keep track of assets in certain classes (although the balances are immaterially different to those on the accounts register), and relying on the external auditor to maintain a full reconciling register.	This could lead to assets being misappropriated. We recommend that the academy processes an adjustment in one system or the other to reconcile the Parago balances with the accounts balances, and that moving forwards registers are kept by the academy itself that reconcile to the trial balance accounts. Depreciation could also then be calculated and posted by the academy prior to audit.	Parago visit each year to update the register before the audit. The timing this year was that this occurred after the audit site work.. We will ensure it happens before the onsite work in future. Figures have been provided following the Parago visit.	Immediate
[Medium] While on site, we noted a number of invoices dated on or pre 31 August 2018 had not been posted to the old system. This could lead to the accounts being materially misstated. It is acknowledged this is a one off situation arising due to the upgrade of the school's financial system.	On this occasion, the expenditure was not material however it has resulted in the understatement of expenditure and input VAT. We recommend that all invoices are posted to the system in a timely manner.	The invoices arrived after 31st August 2018, and the systems issues were unforeseen and unexpected.	Immediate

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## 6. Internal control weakness

Weakness and potential consequences	Significance and recommendations	Trustees' response	Timescale and responsibility for implementation
[Low] The school's use of purchase order forms does not currently align with the instructions set out in the finance manual. For all six of the sample expenditure transactions we tested, purchase order forms were not used, with a variety of reasons given. However, none of these reasons were listed in the finance manual as acceptable exceptions.	We recommend the academy either amends its finance manual to list specific suppliers/costs where purchase orders are not required, or ensures that practices are amended to use purchase orders for all items.	The Finance policy has been updated to list exceptions. All staff have been reminded of the necessity and importance of finance controls	Immediate
[Medium] The salary deductions control account, for amounts due to HMRC, is not currently reconciled on a monthly/quarterly basis. Payments made to HMRC in the year did not match amounts due to HMRC as posted from the salary records, due to mispostings that had not been identified. This opens up the school to the risk of not detecting erroneous payments to HMRC, and to not showing the correct salary expense in its' SOFA.	We recommend the academy's finance team reconcile the salary control accounts monthly/quarterly along with the rest of the balance sheet codes.	Reconciliations are done monthly. The balance was a query on the apprenticeship levy which we had asked on site auditors for help in correcting	Immediate
[Medium] The trade creditor control account balance on PSF does not match the aged creditor supplier listing report as at the year end. This was the same for the prior year. Whilst the amounts are not material, the difference changes year on year.	We recommend the academy corrects the balance so that the two reports reconcile and also identify the cause of the differences should they then continue to arise, in order to ensure that posting practices can be changed as necessary to avoid this situation continuing to arise.	Th two balances here do agree, the balance sheet and trade creditors' control don't. this has been rectified by the new system update.	Immediate
The academy has transacted with a related party, Medway Youth Trust, during the period. In order to ensure that best practise is upheld, the academy should ensure that its minutes of Board meetings note the transactions and that the conflicted governor does not vote on the decision to use MYT.	We recommend the academy ensures meetings discuss this matter appropriately and that the minutes record this comprehensively to demonstrate best practice.	The trustees usually agree the SLAs as a whole not individually.  We will ensure that the minutes reflect the appointment of MYT appropriately	Immediate

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## 6. Internal control weakness

Weakness and potential consequences	Significance and recommendations	Trustees' response	Timescale and responsibility for implementation
[Medium] Fortis Trust currently processes bank transactions on behalf of Bradfields PTFA, a separate organisation, and holds the balance of funds in its' bank account on the PTFA's behalf. This is not best practice as the entities are separately run and there is the risk that the school could be accused of error or inappropriate conduct if a transaction for the PTFA goes awry.	We recommend that the PTFA is reimbursed the balance of funds held on their behalf and runs their own bank account moving forwards.	The PTFA has not been separated and will operate independently.	Immediately

### 6.2 Advisory points

We have raised below matters which we consider as advisory points and to be considered for best practice.

**Reserves policy and Going Concern** – We recommend that the Trust reviews its reserves policy in the light of its future financial strategy and forecasts. You should ensure that the policy reflects the current and on-going circumstances of the Trust and is in line with trustees' responsibilities for prudent financial management. We are happy to provide best practice advice and templates should that be helpful.

**Board Assurance Framework** - We would recommend that the Board continually assesses the nature of its Board Assurance Framework and what contributes to their assessment of its adequacy. This will include consideration of the major strategic and operational risks being faced currently, the materiality and effectiveness of management and internal control systems, the oversight provided by the senior leadership team, and the assurance provided by our work. We would expect this to change over time and in response to the internal and external operating environment of the Trust.

These are based on our initial assessment of priorities, but it is for the trustees to decide what actions are necessary.





Section 7

# Audit findings in prior years

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## 7. Audit findings in prior years

Issues and potential consequences reported in 2017	Regularity or Internal Control weakness	Status in current year	Trustees' response	Timescale and responsibility for implementation
Marie Sweetlove was not listed as a Trustee on Companies House despite having been appointed in the year.	Regularity	This has now been resolved, however a resignation (J Goodall) occurring in the year had not been processed on Companies House.	This was rectified as soon as it was raised. The clerk has been asked to confirm resignation dates by e mail ASAP	This have been completed
Purchase order forms not used for all expenses giving rise to a lack of documented evidence of pre approval of certain expenditure items	Internal Control	Raised again in section 6.	See comment in previous section	
Debtors and creditors reconciliations were not being performed on a regular basis.	Internal Control	This has now been resolved however note section 6 recommendation regarding difference between aged creditor reports and creditor control account balance.	See comment in previous section	
It was noted that the Parago system was not up to date and the academy did not have a current record of fixed assets.	Internal Control	Please see issue mentioned in section 6.	See comment in previous section	



Section 8

# Sector Developments

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## 8. Sector developments

We prepare regular updates on accounting, tax, regulations and legal changes affecting the sector. These include a monthly Not for Profit eNews update which can be found at

[www.macintyreHUDSON.co.uk/sectors/not-profit/publications](http://www.macintyreHUDSON.co.uk/sectors/not-profit/publications)

Other sector publications, including Academy Advisor, and guidance can be found at:

[www.macintyreHUDSON.co.uk/sectors/not-profit](http://www.macintyreHUDSON.co.uk/sectors/not-profit)

If you would like to subscribe to receive our publications electronically, please register at:

[www.macintyreHUDSON.co.uk/subscribe](http://www.macintyreHUDSON.co.uk/subscribe)

All Trustees should familiarise themselves with the Academies Financial Handbook, issued on an annual basis, and containing the requirements for the year from 01 September. Two key points are noted below:

### From 01 September 2018:

Trusts must prepare management accounts every month, including balance sheet, budget variance report and cash flow forecasts. These management accounts must be shared with the chair of trustees every month, and with other trustees six times a year. Board meeting must record consideration of these accounts and action required to maintain financial viability.

### From 01 April 2019:

Trusts must report ALL transactions with related parties to ESFA in advance of the transaction taking place, using ESFA's on-line form.

Trusts must obtain ESFA's prior approval for contracts of the supply of goods or services by a related party where the contract exceeds £20,000; or where a contract of any value takes the total value with that related party beyond £20,000 in any year to 31 August, or for a contract of any value where £20,000 in that year to 31 August with the related party has already been exceeded. Contracts of employment are excluded from this reporting and approval requirement.



# Conclusion



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Your organisation is a highly valued client of our firm and we would like to thank you for entrusting us with your professional advisory services.

We take a genuine interest in the success of our clients and value constructive feedback on all aspects of our services and continually seek improvement opportunities. If you have any questions or would like to discuss any of the matters covered in our Audit Findings Management Letter, please do not hesitate to contact us.

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