



williams giles
Chartered Accountants

The Diocese of Canterbury Academies Trust

Final Audit Findings

For the year ended 31 August 2019

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1. Introduction

During the course of our audit and regularity assurance engagements for the year ended 31 August 2019 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters 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 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 immediately.

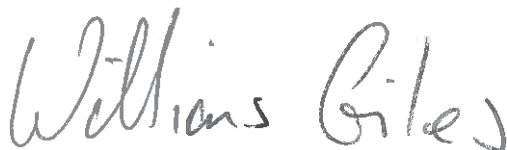
We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our Audit Planning Memorandum, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that 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.

This report has been prepared for the sole use of the trustees of The Diocese of Canterbury Academies Trust. We understand that you are required to provide a copy of this report to the Education & Skills Funding Agency who may share this information internally within the Department for Education for decision making purposes. With the exception of this, no reports may be provided 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 in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Williams Giles Professional Services Ltd towards any party acting or refraining from action as a result of this report.

We would be grateful if you could enter the academy trust's comments against each point under the "management response" column of the memorandum and return it to us in due course.

Finally, we would like to express our thanks to all members of the academy's staff who assisted us in carrying out our work.

Yours faithfully



Williams Giles Professional Services Ltd
Statutory Auditor
Chartered Accountants

December 2019

2. Audit approach

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

To summarise our approach, we:

- updated our understanding of the entity 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.

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 Memorandum.

3. Summary of significant audit findings

Significant risk area identified at planning	Findings, significance and recommendations	Management response / timetable for action
Related Parties	No significant issues identified	We will continue to monitor and be aware of possible RPTs.
Revenue Recognition	No significant issues identified	We will continue to monitor as part of normal practice.
Accounting estimates	No significant issues identified	We will continue to monitor.
Staff costs	No significant issues identified	Our aim to keep these below 80% remains clear.
Accounting for cash receipts and cash payments	Not all items have been fully receipted in the year, significance to be confirmed	Noted. SBMS will be made aware. We continue to aim for cashless systems in all schools.
Accounting for accrued expenditure	Some transactions were not identified by the client.	Noted. SBMS and finance staff will be made aware and processes to be followed reiterated
Regularity Assurance	RED - At one school during the year, payments totalling £18,279 were made to staff in excess of their contractual pay. These amounts were not authorised in line with the Trusts scheme of delegation. All payments must be made within the authorised scheme of delegation.	Noted. CEO informed auditors of this at earliest possible time. Trust carried out an investigation and followed appropriate disciplinary action to the member of staff involved. Trust duly informed ESFA of this breach. Pay policy has been tightened to ensure any reoccurrence can be treated as gross misconduct.
Pension Liability	No significant issues identified	Noted. We continue to work with our accountants to ensure pension liability is correctly shown in our annual accounts.

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
Staff Contracts	GREEN - Staff contracts are not kept up to date on personnel files. This could lead to incorrect payments. It is recommended that for each and every salary variation a new update letter is kept on the personnel files.	Noted. Trust will ensure schools follow a robust process. New process from September 2019 is that all staff contracts, DBS, right to work and salary information is scanned to trust folders. HR admin will double check all

		information is up to date.
Cash Receipts	<p>AMBER - Cash Receipts have not been used consistently. This could lead to petty fraud. Receipts should be used for each and every instance of cash income.</p>	<p>Noted. Trust will reiterate this again to schools, however, majority of schools are now cashless therefore cash handling should be limited. We continue in our aim to ensure all schools are cashless as soon as possible.</p>

DBS	<p>AMBER - One employee tested did not have a DBS check until 5 days after starting, it is recommended that all staff must have a valid DBS on file prior to their first working day.</p>	<p>Noted. Trust will reiterate this to schools. Safeguarding processes in schools are robust and this employee was an exception. There was a risk assessment carried out linked to risks of him starting before the DBS had come through and mitigation was in place. The Audit and risk committee are aware of this situation.</p>
Assets	<p>GREEN - Some assets identified for testing could not be located. However the majority were. It is recommended that there is a continuation of the fixed asset review so that all asset locations are clearly stated in the registers.</p>	<p>Noted. Trust will ensure school staff are aware and reviewing their assets termly.</p>
Depreciation	<p>GREEN - Depreciation has been posted inconsistently, some schools have posted it, some not. This could lead to inconsistent reporting. It is recommended that depreciation is applied consistently across all schools.</p>	<p>Noted. Fixed asset depreciation is part of the month end process. The finance software is set up to depreciate correctly. Unsure of how this issue arose.</p>
Stock	<p>GREEN - Stock is a clearly trivial value across all schools, however it appears that checks are not taking place in all schools of the trust. This will not materially affect the accounts, but counts should be taken across all schools.</p>	<p>Noted. The majority of schools do not carry any stock and are encouraged to order when agreed need for material arises. Schools will be informed to take regular stock checks. This will be raised at the next HT meeting and SBM forum in term 3.</p>
Delivery Notes	<p>GREEN - Delivery notes were not consistently kept, these should be attached to Invoices to prove that all assets have been received.</p>	<p>Noted. Schools will be reminded of this requirement.</p>

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls 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.

Control weakness identified and significance	Potential implications and recommendations	Management response / timetable for action
As stated in prior years identified below.		

Status of findings / recommendations from previous years

Audit issues communicated in last year's audit findings report and our proposed approach to each of these areas, in light of developments in the year are outlined below:

Findings / recommendations	Status in current in year	Management response / timetable for action
<p>Transactions between schools in trust. AMBER - Transactions were seen to be made between schools. It needs to be ensured that these net off to £nil at all times. It is recommended that these are reviewed monthly as part of the month end process.</p>	<p>Minor issues identified, work continues but unlikely to report this year.</p>	<p>Noted.</p>
<p>Fixed Assets AMBER - Fixed asset registers do not reconcile to the Fixed asset inventories. The location of assets cannot be easily identified. It is recommended that a review take place to ensure that all fixed asset locations are up to date and that this is reconciled to the financial statements.</p>	<p>Still an issue in some cases, but more accurate than in prior year.</p>	<p>Noted, we will continue to remind schools to keep fixed asset registers up to date.</p>
<p>Employee contracts are not up to date. GREEN - In a number of instances the current salary of individual staff members could not be reconciled to the contracts/update to salary. This should be updated with each and every salary update.</p>	<p>Still an issue in the current year</p>	<p>Noted, actions as above.</p>
<p>Fixed Assets GREEN – a number of capital items were identified as having been posted as revenue expenditure. We recommend that any items of a capital nature are captured and recorded as such.</p>	<p>Additions and disposals are being posted inconsistently, some schools have posted these, some not. Some have recorded them on the asset system. Some not.</p>	<p>Noted.</p>
<p>Purchases AMBER – a number of items of expenditure did not have valid purchase orders attached. We recommend that the purchase order system is strictly followed.</p>	<p>Still an issue in the current year</p>	<p>Notes, as above</p>

<p>MAT transactions RED – the monthly journal to reconcile the position between the trust and individual schools does not always balance, this is causing compounding errors that are becoming more difficult to reconcile – we strongly recommend a review with the system provider to establish the reason for a timing difference. It should be ensured each and every month that this is cleared down to zero across the trust.</p>	<p>Reconciliation has been much more successful any differences noted were clearly trivial. No longer considered to be an issue.</p>	<p>Noted.</p>
<p>Alcohol Purchase GREEN – No implications in the year under review, however the academies financial handbook 2018 states that Alcohol purchases is not an appropriate use of funds.</p>	<p>No purchases noted in the current period.</p>	<p>Noted</p>
<p>Register of Business Interests AMBER - The register of business interests on the Trust website is not up to date. The academies financial handbook requires this is updated regularly.</p>	<p>Appears to be resolved</p>	<p>Noted and checked regularly.</p>

4. Summary of audit differences and draft letter of representation

Please see Appendix 2 for schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm that you are satisfied that none of these need to be adjusted for in the financial statements

We have separately sent a draft letter of management representations required in connection with our audit.

5. Anticipated Audit Report

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

6. Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The ESFA has no right by virtue of the regularity engagement to place reliance on our work and the opinion we form in respect of our statutory financial statements audit of the academy trust.

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:

- An assessment of the risk of material misstatement and irregularity
- Testing and review of areas identified through risk assessment including enquiry, inspection and review, observation and re-performance
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime
- Consideration of evidence obtained through the work performed as part of our audit in order to support the regularity conclusion

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

Regularity issues brought to your attention in connection with the regularity assurance engagement are as follows:

Findings and significance	Potential implications / financial impact and recommendations	Management response / timetable for action
No issues identified		