**The Christ Church Church of England Primary Academy Folkestone**

**Final Audit Findings**

**For the year ended 31 August 2020**

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## **Introduction**

During the course of our audit and regularity assurance engagements for the year ended 31 August 2020 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 Christ Church Church of England Primary Academy Folkestone. 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 2020**

## **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.

## **Summary of significant audit findings**

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| --- | --- | --- |
| **Significant risk area identified at planning** | **Findings, significance and recommendations** | **Management response / timetable for action** |
| Related Parties | Amber – It was found that some related party transactions had not been disclosed to the ESFA.  All related party transactions (in relation to expenditure) must be disclosed to the ESFA.  As a reminder, any related party transactions over £20,000 needs to be approved by ESFA prior to the transaction being processed.  GREEN – It was found that two out of the three members are also trustees. It is best practise for members to not assume the role of a trustee. | All related parties will be disclosed as they are identified.  This will be discussed with Trustees and accountant to find a way forward. The two Members who are trustees are in the roles of Chair and Vice Chair of Trustees |
| Revenue Recognition | No significant issues identified |  |
| Accounting estimates | No significant issues identified |  |
| Staff costs | No significant issues identified |  |
| Accounting for cash receipts and cash payments | No significant issues identified |  |
| Accounting for accrued expenditure | No significant issues identified |  |
| Regularity Assurance | Amber – It was identified that management accounts have not been presented to the chair each month.  It is recommended that management accounts are being presented to the chair each month in line with the Academies Financial Handbook.  GREEN – It was identified that the Board of Trustees did not meet six times during the year.  It is recommend that the Board of Trustees meet at least six times each year to ensure that they have an effective understanding of the funds. | The monthly accounts are shared with the Chair of Resources, moving forward they will then be sent to the Chair of Governors to ensure compliance.  The full board of trustees would meet 4 times per year, Resources committee, 4 times a year and Strategy committee under normal circumstances, due to COVID -19 the Chair of Governors also met with the Headteacher on a weekly basis, therefore Governors felt that they maintained a full overview of the activity of the Academy and remained in control throughout the lockdown period.  If the requirement is for the full governing body to meet 6 times per year the meeting schedule will have to be amended. |
| Pension Liability | No significant issues identified |  |
| COVID-19 | No significant issues identified |  |

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| **Other areas where issues were identified during the audit** | **Findings, significance and recommendations** | **Management response / timetable for action** |
| GAG income | Green – It was found that the RPA expenditure is not being grossed up and the GAG income is therefore understated in the finance system.  We recommend that the GAG income is posted gross of the RPA adjustment and the RPA cost is posted to an expenditure code. | Advice was sought on this posting during the audit and will be followed in future postings. The RPA has been posted to an expenditure code but not added into the GAG Income, this will be rectified. |
| Credit Card Usage | AMBER – It was found that the credit card assigned to the School Business Manager was being used by the Head Teacher when the SBC was on leave.  It is recommended that no other employees have access to credit cards assigned to other staff members.  We recommend that a new credit card is taken out in the name of the Head Teacher in case of unforeseen circumstances if the Trust deem this necessary. | A card has already been requested from the bank for the Headteacher. |
| Companies House - Updates | GREEN – It was identified that the school have not been updating Companies House within 14 days of appointments and vacations.  It is recommended that Companies House is kept up to date, especially if there are new appointments and vacations. | We did not have a Clerk to Governors and a long term absence of the Company Secretary during 2020. Moving forward these records will be kept up to date. |

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** |
| Purchase Orders | Green – It was found that purchase orders are not consistently being used (expenditure and credit card transactions).  We recommend that purchase orders are consistently used. | With the new finance system XERO which has replaced FMS we are encouraging staff to use Approval Max to place orders. |
| Authorisation of Invoices | Green – It was found that invoices are not all being signed as authorised.  It is recommended that all invoices are being signed as authorised. | Moving forward we shall follow the procedures for invoicing as set out in the XERO finance system which I assume will meet the requirements for compliance. |
| ‘Dear Accounting Officer’ Letter | GREEN – It was confirmed that the ‘Dear Accounting Officer’ letter was not discussed at Board Meeting.  We recommend that all letters in this manner are discussed in the Board meetings. | We have a new Headteacher and will ensure that all correspondence of this nature is discussed in the Board meetings. |
| Bank Reconciliation | Green – It was found that items from 2018 and 2019 are left on the bank reconciliation.  It is recommended that this is removed prior to next year’s audit.  Green – It was found that one item on the unreconciled bank report, was actually paid prior to the year end.  It is recommended that the bank is fully reconciled prior to sending over the Trial Balance for the year end audit with old balances being corrected. | This will be rectified during this financial year. |

**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** |
| Trustee and member roles should have “*significant separation*” per the academies financial handbook. The handbook also says “*The Department's strong preference is for a majority of members to be independent of the board of trustees*”. | Noted above. |  |
| Amber – we noted that purchases for food bank supplies were posted to Education supplies with a 01 fund code. | No longer an issue in year |  |
| Amber – we noted that the July 2019 VAT return had not been submitted at the time of our audit visit. | No longer an issue in year |  |
| Amber – we noted that for 7 of the 8 starters contracts had not been issued by the time of our audit visit. | No longer an issue in year |  |
| Amber – we noted that a supplier had been paid twice. The overpayment has been refunded. | No longer an issue in year |  |
| Green – we note that the RPA expenditure is not being grossed up and the GAG income is therefore understated in the finance system. | Remains an issue – please see above. |  |
| Green – we noted that the May & June local authority income was entered on the system twice. | No longer an issue in year |  |
| Green – we note that one member of staff has been entered into the incorrect pension scheme. | No longer an issue in year |  |
| Green – we noted a number of expenses post year end that should have been accrued into the year ended 31 August 2019. In addition, we noted that the required adjustments to accrue Pupil Premium income and defer Universal Infant Free School Meal income had not been made. | No longer an issue in year |  |
| Green – we note that purchase orders are not consistently used (including on credit card transactions). | Remains an issue – please see above. |  |

## **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.

## **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 2019 to 2020 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** |
| Related Parties – Disclosures to ESFA | It was found that some related party transactions had not been disclosed to the ESFA. We would recommend that all related party transactions are disclosed to the ESFA.  As a reminder, any related party transactions over £20,000 needs to be approved by ESFA prior to the transaction being processed. | **There had been an oversight by not declaring Trustees who had been paid for services to the school. Moving forward this would be rectified.** |
| Management accounts distribution | It was identified that management accounts have not been presented to the chair each month.  It is recommended that management accounts are being presented to the chair each month in line with the Academies Financial Handbook. | **The accounts had been discussed with the Chair of Resources on a monthly basis, They will be sent to the Chair from now on.** |

**Appendix 1 – Audit Adjustments**

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**Appendix 2 – Unadjusted Audit Errors**

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**Appendix 3 Changes to the Academies Accounts Direction**

There have been a number of updates to the Academies Accounts Direction. The detail is available at;

<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/922611/Academies_Accounts_Direction_2019-2020.pdf>

Some of the highlights include;

* reflecting new statutory elements in the **trustees’ report**, covering the success of the company, employee engagement and business relationships [3.1.11] and [annex A – Coketown Trustees’ Report]
* reflecting new statutory requirements for **streamlined energy and carbon reporting** in the trustees’ report [3.1.25]
* clarifying that instances of **irregularity, impropriety or non-compliance** noted in the accounting officer’s statement on regularity, propriety and compliance, and in the reporting accountant’s report on regularity should state the relevant monetary amounts, if known [3.3.2, 4.2.1, annex B (2.18) and annex B (3.12)]
* introducing a requirement for academy trusts to explain how their audit arrangements are affected by the newly revised **FRC Ethical Standard**, where applicable [3.2.11 and annex A - Coketown Governance Statement]
* referencing ESFA’s checklist to help trusts **prepare for external audit** [4.1.5]
* identifying **legal costs** in the notes to the financial statements [5.1.23 and annex A - Coketown note 9]
* introducing an analysis of **changes in net debt** as a note to the financial statements, to comply with the updated SORP [5.3.2 and annex A - Coketown note 27]
* updating the example **funds** notes to provide guidance where academies, who are part of trusts with multiple academies, have a zero balance on all funds in both the current and previous years [7.1.3 and 7.1.9]
* explaining that the transfer of activities to a **wholly-owned subsidiary** should be accounted for as a merger, to comply with the updated SORP [7.2.2]
* confirming that **two or more subsidiaries** may only be excluded from consolidation if they are not material when taken together, to comply with the updated SORP [7.2.4]
* where trustees have reviewed and taken account of the guidance in the Governance Handbook and competency framework for governance, encouraging them to explicitly state this in the governance statement [annex A – Coketown Governance Statement]
* updating the **Teachers’ Pension Scheme** notes to reflect the latest actuarial valuation [annex A – Coketown note 31]
* clarifying that the requirement to have an **accounting officer** to sign off the regularity statement includes the period in the run-up to trust closure [annex B - paragraph 2.26]

**Appendix 4 Changes to the Academies Financial Handbook & Recent Updates**

**Internal and External Audit Services Provided by the Same Firm**

The Revised Ethical Standard 2019 takes effect from 15 March 2020, one of the key changes regarding audit independence has resulted in a complete ban on audit entities providing both external and internal audit services. Therefore for the accounting period starting 1 September 2020 academy trusts must appoint separate companies to undertake internal and external audit provisions.

**Internal Scrutiny**

All academy trusts must have a programme of internal scrutiny to provide independent assurance to the Board that’s it financial and non-financial controls and risk management procedures are operating effectively.

The Trust must identify on a risk-basis (with reference to the risk register) the areas it will review each year. This could involve greater scrutiny where procedures or systems have changed.

Independence in internal scrutiny must be achieved by establishing appropriate reporting lines where those carrying out checks report directly to a committee of the Board, which in turns provides assurance to the Trustees.

The audit and risk committee must:

* direct the Trust’s programme of internal scrutiny
* ensure that risk are being addressed appropriately through internal scrutiny
* report to the board on the adequacy of the trust’s internal control framework

Employees of the trust should not be audit and risk committee members, but the accounting officer and chief financial officer should attend to provide information.

Where the audit and risk committee is combined with another committee, employees should not participate as members when audit matters are discussed.

**Related Party Transactions**

Academy Trusts must report all contracts and other agreement with related parties to ESFA in advance of the contract or agreement commencing using the ESFA’s related party on-line form. This relates to all contract and agreements made on or after 1 April 2019.

Trusts must obtain ESFA’s prior approval for contracts and other agreements for expenditure incurred on or after 1 April 2019 where the following applies:-

* a contract of other agreement exceeding £20,000
* a contract or other agreement of any value that would mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed, £20,000 in the same financial year ending 31 August.

**Academy Trust Financial Management Good Practice Guides**

The ESFA has released a series of best practice guides covering the following areas

* Operating an academy trust as a going concern
* Choosing an external auditor for an academy trust
* Academy trust deficit recovery
* Academy trust risk management
* Leasing guidance for academy trusts
* Academy trust management accounting

This documents can be found using the following:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides>

**Fraud Indicators**

The ESFA published a checklist for education providers on the indicators of potential frauds, categorising indicators into the following areas:-

* Personal motives for fraud
* Organisational motives for fraud
* Weaknesses in internal controls
* Transaction indicators
* Possible methods used to commit and/or conceal fraud
* Record keeping/banking/other

<https://www.gov.uk/government/publications/indicators-of-potential-fraud-learning-institutions>

**Purchase of Alcohol**

The use of alcohol in fundraising events has been clarified. These events should be run through the PTA and any profits gifted to the Academy Trust.

**ESFA Written Communication to Accounting Officers – 16 July 2020**

On 16 July 2020, Eileen Milner, Chief Executive for the ESFA wrote to all Accounting Officers providing an update and highlighting some key change/reminders including:-

* **Governance** - We have introduced more information about trustees’ responsibility to take ownership of the trust’s longer term financial sustainability and to maintain it as a going concern. We also continue to emphasise the importance of members being kept informed about trust business so they can be assured that the board is governing effectively.
* **Executive Team** - The new handbook confirms that both the accounting officer and chief financial officer should be employees of the trust, and introduces a requirement for ESFA approval if, exceptionally, they are not. Approval will apply to new appointments made after the handbook comes into effect on 1 September 2020.
* **Internal scrutiny** - We are highlighting recent changes by the Financial Reporting Council prohibiting external auditors from providing internal audit services to the same client. For this purpose, we consider that internal scrutiny should be viewed in the same way as internal audit.

A reminder of key deadlines

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| --- | --- | --- |
| **Return** | **Launch date** | **Deadline for submission** |
| Land and buildings collection tool (LBCT) | 6 Oct 2020 | 10 Nov 2020 |
| Audited financial statements  - Accounts submission coversheet  - Auditor’s management letter  - Internal scrutiny annual summary report | 13 Oct 2020 | 31 Dec 2020 |
| Accounts return (AR) | 10 Nov 2020 | 19 Jan 2021 |
| Budget forecast return outturn (BFRO) | 20 April 2021 | 18 May 2021 |
| Budget forecast return three year (BFR3Y) | 22 June 2021 | 27 July 2021 |