

Audit Completion Report

Symphony Learning Trust (formerly known as Glen Hills Primary School)
– year ended 31 August 2016

15 December 2016



Strictly private and confidential

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Board of Governors
Symphony Learning Trust (formerly known as Glen Hills Primary School)
Featherby Drive
Leicester
Leicestershire
LE2 9NY

15 December 2016

Dear Sirs / Madams

Audit Completion Report – Year ended 31 August 2016

We are delighted to present our Audit Completion Report for the year ended 31 August 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 3 October 2016.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 01908 257129.

Yours faithfully



Stephen Brown
Partner
Mazars LLP

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This document is to be regarded as confidential to Glen Hills Primary School. It has been prepared for the sole use of the Board of Governors. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this document, or any part of it, is disclosed to a third party, our written consent must first be obtained.

01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 August 2016 to the member of the Governing Body of Glen Hills Primary School.

Our communication with you is important to:

- Share information to assist both of us to fulfil our respective responsibilities;
- Provide you with constructive observations arising from the audit process;
- Ensure as part of the two-way communication process we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Glen Hills Primary School; and
- Receive feedback from yourselves as to the performance of the engagement team.

Section 4 sets out internal control recommendations and section 5 sets out audit misstatements.

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK and Ireland) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 3 of this report we have set out our conclusions and significant findings from our audit and regularity assurance engagement. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum of which the principal ones were:

- Management override of controls;
- Revenue recognition;
- Classification of funds; and
- Transition to FRS102.

This section also sets out our conclusions and findings from the regularity assurance engagement.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 August 2016.

At the time of preparing this report, there are no significant matters outstanding.

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B and C.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

02 Financial highlights

2.1 Income and expenditure account

	2016 Actual £	2015 Actual £
INCOMING RESOURCES		
Funding for the academy trust's educational operations	2,273,850	2,150,807
Investment income	365	344
Other trading activities	34,165	36,951
Other income	60,876	72,792
	<hr/>	<hr/>
Total incoming resources	2,379,061	2,260,894
Resources expended		
- Academy trust educational operations	2,545,548	2,399,982
	<hr/>	<hr/>
Total resources expended	2,545,548	2,399,982
Net outgoing resources before transfers	(166,488)	(139,088)
Other recognised gains and losses		
Actuarial gains / losses on defined benefit pension scheme	(211,000)	(24,000)
	<hr/>	<hr/>
Net movement in funds	(377,488)	(163,088)

Commentary

Overall the activity has not significantly changed for the academy in the year. Income has remained consistent year on year but costs have increased this year due to increase in salary costs. No other significant changes have been noted.

2 Financial highlights / continued...

2.2 Balance Sheet

	2016 Actual £	2015 Actual £
Tangible assets	5,285,911	5,387,381
Debtors	24,934	44,315
Cash at bank and in hand	<u>345,868</u>	<u>266,481</u>
Total current assets	370,802	310,796
Creditors due within one year	(291,050)	(217,786)
Net current assets	79,752	93,010
Total assets less current liabilities	5,365,663	5,480,391
Creditors due after more than one year	(8,994)-	(12,2340)
Net assets excluding pension liability	5,356,669	5,468,157
Net pension liability	(956,000)	(690,000)
Net assets including pension liability	<u>4,400,669</u>	<u>4,778,157</u>
Restricted funds		
- Fixed assets	5,289,993	5,387,381
- General fund	131,194	148,238
- Pension fund	<u>(956,000)</u>	<u>(690,000)</u>
Total restricted funds	<u>4,465,187</u>	<u>4,845,619</u>
Unrestricted funds		
- General fund	<u>(64,518)</u>	<u>(67,462)</u>
Total funds	<u>4,440,669</u>	<u>4,778,157</u>

2 Financial highlights / continued...

On review of the balance sheet, the following points have been noted:

- Minimal investment has been made in fixed assets this year, all which was funded by capital grants.
- Total debtors have decrease this year due to timing of invoices which has results in prepayments decreeing.
- Cash and creditors have increased this year due to a bank account being opened in the name of the MAT pre year end. The income has been deferred as this relates to the changes in the academy post year end.

The academy has negative unrestricted reserves at 31 August 2016 of £64,518. This negative reserves has arisen over the last 4 years where the academy has purchased capital items which were not funded through EFA grants and therefore has been funded through unrestricted reserves. Management are planning on replenishing this deficit over the next 3 to 5 years by the use of extra funds generated through extra lettings and some TV screen advertising within the school.

The budget set by management for 2016-2017 is showing a small surplus for the whole academy of £4k which has not taken into account the plans mentioned above.

03 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- any matters arising from our regularity assurance work;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls: ISA mandatory requirement

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we will address this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We are satisfied that the journals process is working effectively and journals do not indicate management override of controls.

Revenue recognition: ISA mandatory requirement

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

How we addressed this risk

We have tested a sample of revenue items to ensure that this is appropriately accounted for and appropriate control procedures are in place.

Audit conclusion

Income was recognised correctly in line with the revenue policy and is considered to be materially correct.

Classifications of funds

Description of the risk

There is a risk of incorrect classification between restricted and unrestricted funds.

How we addressed this risk

We ensured that funds are correctly classified (unrestricted, designated, restricted and fixed asset) and movements in funds comply with legal requirements.

Audit conclusion

No issues have been identified in relation to this risk and income and expenditure has been recognised under the correct reserve.

Transition to FRS102

Description of the risk

First time adoption of FRS 102 is considered to give rise to an enhanced audit risk due to the significant and extensive differences between old UK GAAP and FRS 102.

How we addressed this risk

We have ensured that an impact assessment has been carried out to assess the transitional adjustments relevant to the entity. Pentana checker has also been used to ensure correct disclosure has been included in the financial statements.

Audit conclusion

We are satisfied that the financial statements contain the relevant disclosure under FRS102 and the accounting policies have been appropriately applied.

Key areas of management judgement

Capitalisation of fixed assets and depreciation

Description of the area of judgement

To ensure that the correct allocation has been made and depreciation rates match the expected useful lives of the assets as well as there being a level of consistency in the calculations applied.

Our planned audit approach

We reviewed the methodology taken to ensure the correct allocation and the approach adopted provides a sound base for accounting in this area. We reviewed other data to verify the logic of the assumptions used and we reviewed the calculations underlying the methodology. We considered if asset lifecycles are reasonable and consistent with our knowledge of the sector.

Audit conclusion

From the audit work performed the fixed assets appear materially correct and the depreciation policy included within the financial statements is considered reasonable.

Local Government Pension Scheme Assumptions

Description of the area of judgement

To ensure that the assumptions used within the year end valuation of the Local Government Pension Scheme Deficit are appropriate.

Our planned audit approach

We arranged for our internal pension specialists to review the assumptions that have been applied and consider if these are appropriate based on our knowledge of the sector.

Audit conclusion

Our own expert has reviewed the assumptions made and is satisfied that they are reasonable.

Matters arising from our regularity assurance engagement

There are no issues arising from the regularity assurance engagement.

Accounting policies and disclosures

We have reviewed Glen Hills Primary School's accounting policies and disclosures and concluded they comply with the requirements of the Academies Accounts Direction 2015 to 2016, the Charity SORP 2015 and the Companies Act 2006.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Regularity assurance engagement findings and conclusions

Our regularity assurance engagement was conducted in accordance with the Academies Accounts Direction 2015 to 2016, issued by the Education Funding Agency.

The Academies Accounts Direction 2015 to 2016 sets out the framework and reporting requirements on the statement of regularity, propriety and compliance and the Board of Governors responsibilities and the scope of our work in our role as independent reporting accountant.

We are required to report to the Board and the Secretary of State for Education acting through the Education Funding Agency whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

We are required to report to you by way of management letter instances of irregularity that have been identified during the course of our engagement that we conclude are not material by virtue of value or nature, either individually or in aggregate, or does not relate to transactions underlying the annual accounts.

We did not identify any instances of irregularity through the course of this engagement.

04 Internal control recommendations

Relating to the “true and fair” audit

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Description of deficiency – opening balances

We noted during testing that the opening balances did not agree to the prior year signed accounts. See journal 1 recorded in section 5.

Potential effects

There is a risk that the management information is not a true reflection of the financial position of the academy throughout the year.

Recommendation

Management should ensure that all journals raised as part of the audit are accounted for at the earliest possible date.

Management response

Management will liaise with the auditors to ensure the correct opening balances are agreed and all journals are posted to the correct ledger codes following the signing of the financial statements.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency – accruals and prepayments

We noted during the audit that prepayments and accruals had not been accounted for. It has been noted, that these have been monitored for the year end by management.

Potential effects

There is an increased risk of non-compliance with accounting standards.

Recommendation

We recommend that accruals and prepayments should be accounted for as part of the accounting process.

In 2016 it was noted that the accruals were accounted for in the accounting system but the prepayments were not.

Management response

The process has been updated and accruals and prepayments will be accounted for in the next financial year.

Description of deficiency – fixed asset register

We noted that the fixed asset register has not been maintained during the year.

Potential effects

There is an increased risk that assets are not appropriately capitalised and depreciated in the year.

Recommendation

We recommend that a fixed asset register is updated on the purchase of capital assets and any disposals.

In 2015 it was noted that the fixed asset register was not updated for the additions in the year.

Management response

The fixed asset register now forms part of the Governors Finance Committee and all assets over £500 will be added to the register.

05 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment.

Adjusted Misstatements 2016						
		Balance Sheet		SOFA		
		DR	CR	DR	CR	£
		£	£	£	£	
Surplus before adjustments						85,802
1	Dr Land & Buildings cost	11,109				
	Cr Depreciation b/wd		(11,109)			
	Cr Depreciation charge - L&B		(99,303)			
	Cr Depreciation charge - F&F		(7,890)			
	Dr Depreciation expense			107,193		(107,193)
<i>Being to correct opening balance and account for depreciation during the year</i>						
2	Dr Fixed asset additions	5,723				
	Cr Repairs and maintenance				(5,723)	5,723
<i>Being to account for fixed asset additions during the year</i>						
3	Dr Bank	40,861				
	Cr Other creditors		(40,861)			
<i>Being to appropriately include creditors at the year end.</i>						
4	Dr Other expenses			8,085		(8,085)
	Cr Debtor control account		(8,085)			
<i>Being to remove prior year balances from the trial balance to reflect the debtor position at year end</i>						
5	Dr Other expenses			10,595		(10,595)
	Cr Prepayments		(10,595)			
<i>Being to remove prior year balances from the trial balance to reflect the prepayment position at year end</i>						
6	Dr Repairs and Maintenance			10,140		(10,140)
	Cr Accruals		(10,140)			
<i>Being to account for works on the staff room undertaken but not invoiced at year end</i>						
7	Dr Non current loan	16,920				
	Cr Current loan		(16,920)			
<i>Being to apportion the loan for energy efficient lighting between current and non current years.</i>						
8	Dr Other income			66,220		(66,220)
	Cr Agency costs				(66,220)	66,220
<i>Being to net the income received through insurance against costs incurred</i>						
9	Cr Expected return on pension scheme				(29,000)	(29,000)
	Dr Interest costs			56,000		
	Dr Current service charge			121,000		
	Dr Pension scheme actuarial gains				(142,000)	142,000
	Dr Pension scheme actuarial losses			353,000		(353,000)
	Cr Employer contributions				(93,000)	(93,000)
	Cr Defined benefit pension scheme liability		(266,000)			
<i>Being to account for the year end pension scheme movements</i>						
10	Dr Bank accounts	75,013				
	Cr Creditors		(75,013)			
<i>Being to account for the new bank accounts opened in the name of the MAT at the year end</i>						
Deficit after adjustments						(377,488)

Appendix A – Draft management representation letter

Glen Hills Primary School - audit for year ended 31 August 2016

This representation letter is provided in connection with your audit of the financial statements of Glen Hills Primary School for the year ended 31 August 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, and Academies Accounts Direction 2015 to 2016 issued by the Education Funding Authority (EFA).

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information We believe that we have fulfilled our responsibilities, as set out in the audit engagement terms, for the true and fair presentation and preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, and Academies Accounts Direction 2015 to 2016 issued by the EFA.

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the trust you determined it was necessary to contact in order to obtain audit evidence.

We confirm as directors that we have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

We have made you aware of any instances of non compliance with either our funding agreement or the Academies Financial Handbook.

Accounting records

We confirm that all transactions undertaken by the trust have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with the requirements of with United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act

2006, and Academies Accounts Direction 2015 to 2016 issued by the EFA and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

We confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the trust have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, and Academies Accounts Direction 2015 to 2016 issued by the EFA.

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

We acknowledge our responsibility as directors of the trust, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related and connected party transactions

We confirm that all related and connected party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, and Academies Accounts Direction 2015 to 2016 issued by the EFA.

We have disclosed to you the identity of the trust's related and connected parties and all related and connected party relationships and transactions of which we are aware.

Governors' emoluments

The Executive Head Teacher and other staff Governors only receive remuneration in respect of services they provide undertaking the roles of Executive Head Teacher and staff, and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the Academy in respect of their role as Governors. The value of Governors' remuneration fell within the following bands:

Mr T J Sutcliffe, Head teacher and Governor	£85,000 - £90,000
Mrs P Hind, Staff Governor	£20,000 - £25,000
Mrs R L Wesley, Staff Governor	£65,000 - £70,000
Mrs J de Voil, Staff Governor	£45,000 - £50,000
Miss A M Smith, Staff Governor	£45,000 - £50,000

Key management personnel

We confirm that the total costs incurred for the key management personnel was £316,796 (2015: £287,668).

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the trust's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the United Kingdom Generally Accepted Accounting Practice Including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102), Companies Act 2006, and Academies Accounts Direction 2015 to 2016 issued by the EFA, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

To the best of our knowledge there is nothing to indicate that the trust will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

We confirm that there are no unadjusted misstatements identified as part of the audit work.

Appendix B – Draft audit report

Independent auditor's report to the members of Glen Hills Primary School

We have audited the financial statements of Glen Hills Primary School for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) ((Charities SORP 2015 (FRS 102))).

Respective responsibilities of trustees and auditors

As explained more fully in the Governors' Responsibilities Statement set out on page x, the governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the governors as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report including the incorporated strategic report for the Year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Stephen Brown (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

The Pinnacle

160 Midsummer Boulevard

Milton Keynes

MK9 1FF

Date

Appendix C – Draft regularity report

Independent Reporting Accountant's Assurance Report on Regularity to the Governing Body of Glen Hills Primary School and the Education Funding Agency

In accordance with the terms of our engagement letter 7 October 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Glen Hills Primary School during the period 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Glen Hills Primary School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Glen Hills Primary School and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Glen Hills Primary School and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Glen Hills Primary School's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Glen Hills Primary School's funding agreement with the Secretary of State for Education dated 1 March 2012 and the Academies Financial Handbook, extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Stephen Brown

Reporting Accountant

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date

Appendix D – Future Developments

ACADEMIES FINANCIAL HANDBOOK – EFFECTIVE FROM 1 SEPTEMBER 2016	How this may affect you
<p>Key changes from the previous edition (as extracted from the “ 2016 Academies Financial Handbook”)</p> <p><u>Governance</u></p> <ul style="list-style-type: none"> • Boards of trustees should identify the skills they need and address any gaps in their skills through recruitment or training • To align with the terminology used in the Governance Handbook, the trust’s publication of its governance structure and remit as its ‘scheme of delegation for governance functions • All trusts must have a senior executive leader who should also be appointed as accounting officer, and that these roles must not rotate • Trusts must publish the relevant business and pecuniary interests of their accounting officer regardless of whether they are a trustee. Local governors should be included when identifying relevant interests from close family relationships. • Trusts must use Edubase to notify the Department for Education (DfE) of the appointment and vacating of the positions of member, trustee, local governor in a multi-academy trust, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer. <p><u>Financial control</u></p> <ul style="list-style-type: none"> • Variances between budget and actual income and expenditure must be understood and addressed. • Exposure to investment products must be tightly controlled so that security of funds takes precedence over revenue maximisation. • Where there are concerns about financial management in a trust, the trust may be required to report information about its cash position to EFA. • There is a requirement, rather than a recommendation, for trusts to have a whistleblowing procedure. • Trusts should consider opting into the risk protection arrangement (RPA) unless commercial insurance provides better value for money. • Trusts must implement reasonable risk management audit recommendations that are made to them by risk auditors. • The audit committee’s oversight of its trust must extend to the controls and risks at its constituent academies, where the trust has them. Oversight must also ensure that information submitted to DfE and the EFA that affects funding is accurate and compliant. When considering a staff severance payment we are emphasising that trusts must satisfy the conditions in the handbook and obtain the required approval before. 	<p>The Academies Financial Handbook came into effect from 1 September 2016. Therefore you should ensure that these points are considered and implemented where applicable.</p>

General Charity Sector update which maybe applicable to the academy trust

1. CHARITY LAW UPDATE

CC3 – The Essential Trustee

CC3 is a very important guidance document published in July 2015 by the Charity Commission to help trustees to understand their legal duties (what trustees must do) and best practice to discharge their legal duties (what trustees should do). The level of public trust and confidence in charities is important for a healthy and well-functioning civil society. Public trust and confidence in charities is predicated to a considerable extent on the way in which trustees meet their legal duties and account for their legal and moral stewardship.

The Charity Commission expects Trustees to have read this document. The document can be obtained from:

<https://www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3>

2. DATA PROTECTION

The Information Commissioner's Office (ICO) monitors compliance with the Data Protection Act and issued a warning that charities were potentially more susceptible to serious data protection issues because of the often sensitive nature of the (paper and electronic) data handled.

Cases have highlighted what the ICO termed "entirely avoidable" issues and resulted in significant (up to £200,000) fines for the charities involved. It is important to recognise that the wider use of data holding devices such as tablets and phones only increases this risk.

The ICO's top tips to avoid issues are:

- communication
- training
- passwords
- encryption
- retention

The ICO provides some useful guidance for charities on its website:

<https://ico.org.uk/for-organisations/charity/>

3. CONFLICTS OF INTEREST AND LOYALTY

Trustees must not get into a position where their personal interests and those of the charity conflict, unless the conflict and any personal benefit are properly authorised and the conflict is managed effectively.

Trustees should be aware that conflicts which are not handled properly can damage a charity's reputation and also damage public trust and confidence in charities generally. Rightly, the Charity Commission takes this matter seriously and so should trustees.

The Charity Commission has prepared detailed guidance called Conflicts of interest: a guide for charity trustees (CC29). The link is:

<https://www.gov.uk/government/publications/conflicts-of-interest-a-guide-for-charity-trustees-cc29>

We have produced for our clients a model policy on conflicts of interest and loyalty, which includes a section on receiving gifts and hospitality and a register for recording these. Please let us know if you would like a copy.

4. EMERGING FRAUD RISKS

Trustees and management must continue to be aware of fraud risks within the organisation. A study undertaken by the Centre for Counter Fraud Studies estimated that fraud costs the large charity sector £1.65bn per year, representing 5% of the turnover of those charities sampled.

Examples of fraud to be alert to are shown below.

Supplier bank detail fraud

There has been increased fraud recently due to suppliers changing bank details. Your purchase ledger department receives a letter on what looks like official letterhead from your supplier requesting a change in bank details. A phone number is also provided on the letterhead to use to verify the change in details. Bank changes have been made in good faith by employees and the next payment is made to a diverted bank account.

We would suggest that when requests for these changes are made, that you do contact your supplier to check that their bank details have in fact changed. You should use the phone number you have on your system to contact the supplier, because the phone number listed on the letterhead will more than likely be linked to the fraudster. Staff should continue to be vigilant.

Email fraud

There have been a number of scams doing the rounds, whereby a company receives a fraudulent request to change a supplier's bank account details. Unfortunately, a number of businesses have fallen foul of these. This type of fraud is becoming increasingly sophisticated, with scammers using seemingly genuine email accounts, either by hacking them or by setting up very similar accounts.

An example case:

The financial controller of an organisation received an email, which appeared to be directly from the Chief Executive Officer, requesting payment be made urgently to a counterparty and providing the relevant bank details. The language used in the email was identical to that normally used by the CEO (somewhat direct and almost curt), thus arousing no suspicion. The financial controller queried the instruction by emailing the CEO, using his usual email address and his response confirmed the payment, which was duly made. The CEO's email had been hacked – his password being rather simple – and the funds had disappeared. The example was a reasonably sized corporation – with a dominant chief executive. Luckily that should not apply to charitable institutions.

Internal controls

Internal controls are really important to every organisation. They help to remove the opportunity to commit fraud. Most frauds are detected through a colleague being suspicious, often through internal control procedures being circumvented or records being incomplete or altered.

5. MODERN SLAVERY

The UK Parliament passed the Modern Slavery Act in March 2015 with the objective of consolidating and extending current offences relating to slavery and human trafficking.

This act is a milestone as, for the first time, the UK has a law that attempts to have companies take responsibility for behaviours that takes place in their supply chains, both in the UK and internationally. Whilst it is a domestic law it implicitly has extraterritorial measures.

However, this law is the first of several that are due and will be binding on UK entities of various sizes to demonstrate their respect for some, if not all human rights, both within their own corporate structure but also their supply chains.

Section 54 of the Act requires companies to prepare a slavery and human trafficking statement for each financial year. This is now also being referred to as the Transparency in Supply Chains Statement (TICS).

A TICS must be prepared for each financial year and is

1. a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place
 - I. in any of its supply chains, and
 - II. in any part of its own business, or
2. a statement that the organisation has taken no such steps.

The Act suggests that this statement may include information about

1. the organisation's structure, its business and its supply chains;
2. its policies in relation to slavery and human trafficking;
3. its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
4. the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
5. its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
6. the training about slavery and human trafficking available to its staff.

This statement must be signed by a director and approved by the Board and published in a "prominent" place on the company's website.

The above applies to many organisations, commercial and otherwise which belong to a group which has total annual turnover of more than £36 million. Whilst many charities will not fall into this category, there are potential compliance implications for them where they might deal with such organisations, given 1.1. above.

6. EMPLOYEE BENEFITS – RETAINING STAFF AND KEEPING COSTS DOWN

From April 2017 all employers with a payroll cost exceeding £3m will be required to contribute 0.5% of certain payroll cost to the Government's new Apprenticeship Levy. For an organisation with a £5m payroll, this represents an additional cost of £25k per year. Organisations will be able to use their Apprenticeship Levy contributions to pay for apprentice training.

Costs subject to the 0.5% levy include salaries and bonuses. Costs such as pension contributions and benefits in kind are excluded, providing many organisations with a method of minimising the levy.

Charities should be aware of their employee benefit costs and potential savings, including risk benefits such as Death in Service cover plus lifestyle benefits such as childcare vouchers and gym schemes. It is

important that plans provide best value for money, are appreciated by employees and do not create an administrative burden on the charity.

If a benefit health check has not been carried out recently we would recommend that one is done to determine whether cost savings can be made.