



## **Isebrook SEN Cognition & Learning College**

### **Report to Trustees**

Audit for the period ended 31 August 2015

*As discussed at the meeting of 18<sup>th</sup> November 2015.*

# Isebrook SEN Cognition & Learning College Report to Trustees



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# Isebrook SEN Cognition & Learning College Report to Trustees

## 1 Introduction

Streets is a top 40 firm of Chartered Accountants, looking after clients across the education sector including Academies, Free Schools and University Technical Colleges, throughout the East Midlands, East of England, South and East Yorkshire, London and the South East. Further information on our work with Academies and schools is included on our website, please visit [www.accountants4academies.co.uk](http://www.accountants4academies.co.uk).

Streets Chartered Accountants has offices in Bedford (Wyboston Lakes), Cambridge, Grantham & Newark (Long Bennington), Hull, Lincoln, London, Manchester, Newmarket, Peterborough, Sheffield and Stevenage.

Streets Audit LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details of our registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) and [www.cro.ie/auditors](http://www.cro.ie/auditors) for Ireland, under reference number C001217999.

# Isebrook SEN Cognition & Learning College Report to Trustees

## 2 Summary

### 2.1 Communications required by Auditing Standards

We have audited the statutory accounts of the Trust for the period ended 31 August 2015 in accordance with the terms of our engagement letter. We draw your attention to the following points, as required by auditing standards.

- a) Qualitative aspects of the trust's accounting practices and financial reporting

We have no comments to make concerning the qualitative aspects of the trust's accounting practices and financial reporting.

- b) Unadjusted misstatements

Section 6 of this report documents potential misstatements identified during the course of the audit. We would welcome your confirmation that you do not wish to adjust the financial statements for these items, together with your reasoning.

We also include in section 5 of this report any adjustments made to the financial statements during the course of the audit. We would welcome your confirmation to these adjustments being made.

- c) Material weaknesses in the accounting and internal control systems

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts. Section 7 of this report contains details of areas which were identified during the course of the audit and our recommendations. It is not intended to be a full list of all potential weaknesses that may be present in your systems.

- d) Letters of representation

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Appendix 1 and 2 to this report contains our proposed letters of representation which we will request from you prior to issuing the final accounts. We would be grateful if you could review these letters and let us know if there are any areas you wish to query.

We will require the letters of representation to be signed by all of the trustees (who are directors for the purposes of the Companies Act). Alternatively, we will require a copy of the board minute which documents the trustees' consideration and acceptance of their contents.

e) Expected modifications to the auditor's report

Subject to receiving all the remaining confirmations, we do not propose to modify the audit report.

f) Other matters required by Auditing Standards to be communicated

There are no other matters that we are required by auditing standards to communicate to you.

g) Other relevant matters relating to the audit

We have discussed with you the fact that we provide accounting services to the trust in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services does not affect our independence as the additional services are of a compliance nature and management takes any decisions where judgement is required.

### **2.2 Outstanding matters**

We draw your attention to the following information which is outstanding. We will be unable to issue final financial statements until we have received the following items which are discussed further in this report;

1. Resolution of the points raised in this report;
2. Successful completion of Post Balance Sheet Events work; and
3. Signed letters of representation.

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### **2.3 Conduct of the audit**

We would like to take this opportunity to thank the accounting staff for their help and assistance during the audit, which was gratefully appreciated.

We would like to emphasise that Mrs J A Barton was very forthcoming in making time for our site visits especially given her workload and the time constraints involved.

### **2.4 Purposes of the report**

Please note that this report has been prepared for the sole use of the Trust. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. No responsibility is assumed by us to any other person.

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## 3 Key audit issues

This section details the key issues that arose during our Financial Statement audit and our Regularity Audit. It also includes areas that we consider require further explanation or consideration by the trustees.

### 3.1 Financial Statement Audit

#### 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 business 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,

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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.

### **Summary of significant audit findings for significant risk area identified at planning**

#### **1 Management override of controls**

Per auditing standards we are required to include management override of controls as a default risk on all audits. This is regardless of whether any evidence has been observed in the current or preceding periods.

No issues were observed during the audit.

This section has been included for the trustees' information and no response is required.

#### **2 Revenue Recognition**

Per auditing standards we are also required to include Revenue Recognition as a default risk on all audits. This is regardless of whether any issues have been observed in the current or preceding periods.

During the audit there was no evidence to suggest that Revenue had been manipulated.

This section has been included for the trustees' information and no response is required.



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### **3 Related Party Transactions**

Finally, per auditing standards we are also required to include related party transactions as a default risk on all audits. This also overlaps with the Regularity section as “Connected Party Transactions” has been highlighted by the EFA as a key area.

No transactions were identified between the Trust and any related parties.

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### Other areas where issues were identified during the audit

#### 1. Conversion:

The draft accounts include the following assets and liabilities as identified upon conversion of the individual academies.

		<b>Total £</b>
Land & Buildings	Per valuation	11,471,000
Other Fixed Assets		
Cash Balances	Surplus on Conversion	338,376
LGPS Pension	Deficit per valuation on conversion	(802,000)
<b>Total</b>		<b><u>11,007,376</u></b>

These figures will be discussed at the meeting to explain how they arise and have been treated in the financial statements. Depreciation of buildings will also be discussed.

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### 3.2 Regularity Audit

In addition to our audit report on the financial statements the Accounts Direction also requires us to issue an assurance report on Regularity. This requirement was brought in by the EFA in 2012, together with the additional “Statement on Regularity, Propriety and Compliance” which is signed by the Accounting Officer.

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2014 to 2015 issued by 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 included examination, on a test basis, of evidence relevant to the regularity and propriety of the trust trust’s income and expenditure. The work undertaken to draw our conclusions included:

- Review of the Trust’s Systems and Controls and Confirmation of Operation during the Period including Authorisation of Invoices, Payments and Salary Adjustments;
- Review of a Sample of Expenses including Nominal Codes considered to include transactions which may be indicative of those with a greater risk;
- Review of the Internal Auditor Reports; and
- Discussions with the Finance Team.

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We anticipate that we will issue an unmodified regularity assurance report for the period.

### **4 Taxation**

#### **4.1 Current period's tax charge**

We are not aware of any activities that would give rise to a breach of HM Revenue and Customs thresholds for charities; accordingly we do not believe that the trust has a corporation tax liability.

Please advise if you believe there are additional activities that may be taxable, or if you have received any correspondence from HMRC.

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### **5 Post management accounts adjustments**

Adjustments have been made in arriving at the draft financial statements. Please review these adjustments and advise us if there are any in which you are not in agreement. The adjustments are as follows:

**See attached schedule**

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### **6 Unadjusted items**

During the audit the following non trivial potential errors were identified, which have not been adjusted for. This is subject to the resolution of the points included in this report. For the purposes of the audit the trivial level was set at £1,000. We welcome your confirmation that you do not wish to adjust for these items together with your reasoning, i.e. not material to the financial statements.

**See attached schedule**

There were no further unadjusted errors following our discussions.

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### 7 Systems and controls

As part of our audit we are required by auditing standards to review the main systems and controls operated by the company, and report any material weaknesses to those charged with governance. Our procedures are designed primarily with a view to the expression of an opinion on the accounts. Our comments cannot therefore be expected to include all possible improvements in the internal controls that a more extensive review by Internal Audit or the Responsible Officer might identify. Any issues that have been identified by the Responsible Officer and also as part of our own work have not been repeated below.

We have identified the following issues to be brought to your attention. All of which are considered to be **low risk**:

1. At present there is no detailed fixed asset register separately maintained to record and monitor the assets capitalised in the accounts. As there are minimal additions in the first period it has not caused any issues but is something that should be set up going forward. This is consistent with many first period conversions.
2. During the period a cheque was counter signed for an incorrect amount due to a supplier – the amount due was £11,169.60 and the initial cheque totalled £4,164.00. There is always scope for human error in manual processes but in this instance the difference was significant.
3. The Academies Financial Handbook requires the following with regard to governance which were not in place at the time of our site work:
  - a. A detailed Academy Risk Register;
  - b. Academy policies in relation to: capitalisation, depreciation, gifts and hospitality, investments and reserves;
  - c. The list of Business Interests to be available on the Academy website;
  - d. Internal audit procedures to be place to review the effectiveness of the systems of internal control during the period.

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Please note this is consistent with many first period conversions and we are aware that the above are being drafted.

Management Response: management is aware of the majority of the above items and of the ones not in progress; management will review and address them in the current financial period.

### Appendix 1

Streets Audit LLP  
Charter House  
62-64 Hills Road  
Cambridge  
CB2 1 LA

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the trust's financial statements and as, relevant, your assurance engagement on regularity for the period ended 31 August 2015. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

### **General**

- 1 We have fulfilled our responsibilities as trustees as set out in the terms of your engagement letter, under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the trust have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the trust, and with all other



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records and related information, including minutes of management meetings and correspondence with the Education Funding Agency, Department for Education and the Charity Commission.

- 4 The financial statements are free of material misstatements, including omissions.
- 5 The effects of uncorrected misstatements (as set out in the appendix to this letter) are immaterial both individually and in total.

### **Internal control and fraud**

- 6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 7 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 8 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

### **Assets and liabilities**

- 9 The trust has satisfactory title to all assets and there are no liens or encumbrances on the trust's assets, except for those that are disclosed in the notes to the financial statements.
- 10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 11 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

### **Accounting estimates**

- 12 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

### **Loans and arrangements**

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- 13 The trust has not granted any advances or credits to, or made guarantees on behalf of trustees other than those disclosed in the financial statements.

### **Legal claims**

- 14 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

### **Law and regulations**

- 15 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

### **Related parties**

- 16 Related party relationships and transactions comply with the trust's financial regulations, relevant requirements of the Academies Financial Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Annual Accounts Direction issued by the Education Funding Agency.

### **Subsequent events**

- 17 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

### **Going concern**

- 18 We believe that the trust's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the trust's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the trust's ability to continue as a going concern need to be made in the financial statements.

### **Grants and donations**

- 19 Grants made by the Department of Education and Education Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.

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20 All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant's assurance report on regularity of which you are unaware.

Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Yours faithfully

.....  
Signed on behalf of the board of trustees

Date.....

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### Appendix 2

Streets Audit LLP  
Charter House  
62-64 Hills Road  
Cambridge  
CB2 1 LA

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to the Isebrook SEN Cognition & Learning College and the Education Funding Agency (EFA) for the period ended 31 August 2015. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of my knowledge and belief.

### **General**

1. I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between the Isebrook SEN Cognition & Learning College and the Secretary of State for Education and the Academies Financial Handbook (published June 2013 and updated October 2013).
2. I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.
3. I acknowledge my responsibility to notify the governing body and the EFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the trust trust's funding agreement and have had due regard to the requirements of the Academies Financial Handbook (published June 2013 and updated October 2013) in performing this duty.

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4. Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the EFA.
5. Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the trust trust's authorising framework.
6. Full and free access has been granted to all the records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Yours faithfully

.....  
Accounting Officer

Date.....