



Ruskington Chestnut Street Church of England Academy

Report to Governors

Audit for the year ended 31 August 2016

On 1 September 2016, the Academy joined the Lincoln Anglican Academies Trust ("LAAT"). From that date, whilst formal resignations have not been filed with Companies House, the Governing Body has been reduced in size to a Local Governing Body. All Governors who were Directors during the year have been provided with a copy of our Report and they have provided notification that they are in agreement with its contents. Our comments have all been taken on board as the Academy looks forward to its new chapter as part of the LAAT.



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Report to Governors

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.

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 and www.cro.ie/auditors for Ireland, under reference number C001217999.

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2 Summary

2.1 Communications required by Auditing Standards

We have audited the statutory accounts of the Academy for the year ended 31 August 2016 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 academy's accounting practices and financial reporting

We have no comments to make concerning the qualitative aspects of the academy'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

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.

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We will require the letters of representation to be signed by all of the governors (who are directors for the purposes of the Companies Act). Alternatively, we will require a copy of the board minute which documents the governors' 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 academy 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;
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.

2.4 Purposes of the report

Please note that this report has been prepared for the sole use of the Academy. 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 Governors.

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, 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.

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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 years.

No issues were observed during the audit.

This section has been included for the governors' 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 years.

During the audit there was no evidence to suggest that Revenue had been manipulated. A number of adjustments were required to adjust income recognition:

- i) Rates Relief had been claimed for both 2015/16 and 2016/17 but not received. It was agreed to accrue a balance of £8,366.
- ii) The UIFSM Receipt in July 2016 consisted of two elements, a final balance for 15/16 and a payment in advance of 16/17. The advance payment of £17,207 had not been recognised as deferred income.
- iii) Pupil Premium for July and August 2016 was not accrued. It was agreed to accrue the calculated balance of £15,140.
- iv) An insurance claim was made in the year with receipts dated in August and September 2016. The incident related to flooding during the year. It was agreed to accrue the income of £6,515. A detailed review of the associated costs was also undertaken and an accrual of £670 agreed.

This section has been included for the governors' 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.

In line with the previous year, disclosure has been included of transactions with The Farm Kitchen Limited as it is considered to be in the spirit of the AFH.

Disclosure has also been given of:

- a) the salary bandings and pension schemes of the two employees who are connected to governors;
- b) transactions with R Phillips Coaches which is operated by the brother of a governor; and
- c) the donation from the Friends of Ruskington Chestnut Street given the close relationship between the charity and the academy.

This section has been included for the governors’ information and no response is required.

4 Local Government Pension Scheme (LGPS) deficit

As the governors are aware the LGPS deficit was recognised as a liability of the academy at the point of conversion, with a further actuarial valuation being required at each subsequent balance sheet date, to provide a figure to be included in the statutory accounts. This is in accordance with the requirements of the FRS102 on the basis that the academy’s share of the scheme deficit can be separately determined. This is shown as a separate (negative) restricted fund reserve.

The overall effect is that the school’s share of the deficit at 31 August 2016 prior to transfer is £1,049,000, an increase of 53.1%. This is consistent with the level of increases that we have seen at other Lincolnshire academies.

This section has been included for the governors’ information and no response is required.

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5 Payroll

We consider payroll to be a significant area to the academy. Our audit work during the year has included reviews of the systems and controls for the monthly processing as well as considered starters and leavers. Based on the sample tested, we identified that the set-up of new employees appeared to be solely the responsibility of the Headteacher. We would expect some segregation of duties in the process.

We further identified an honorarium payment of £1,500 being made to the Headteacher in February 2016. Whilst on site, we requested documentation which confirmed that the governors had approved the payment. However, documentation could not be located and no reference to approval included in the meeting minutes for the year. We would welcome a copy of the documentation being provided at our meeting.

We appreciate that systems and controls may now have changed following the transfer to LAAT.

6 FRS102

This is the first year where the accounts have been prepared under the Accounts Direction incorporating FRS102. The main changes to note are:

- a) the recognition of capital grant income within donations rather than charitable activities;
- b) the format of the cash flow statement;
- c) the disclosure of key management personnel salaries and pension costs;
- d) the details provided within the operating lease commitments disclosure;
- e) the split of the total movement on the LGPS Deficit between support costs and actuarial gains; and
- f) the presentation of governance costs within support costs.

There has not been any restatement to the prior year required which has been disclosed in the financial statements.

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Other areas where issues were identified during the audit

Transfer to LAAT – whilst no formal transfer agreement was provided, it was confirmed that the academy transferred to LAAT on 1 September 2016. As a result, the funds balances have been transferred in the financial statements to leave a £nil balance sheet. We do welcome any formal agreement / communication confirming the date of transfer for our records.

Insurance Claims – a claim was made during the year to cover the remedial work following the flooding during the year. It was noted that further works will be required and an insurance assessor has been on site. The meeting minutes indicated that the works should be project managed at a cost of £3,000. The draft financial statements do not include any provision for costs not expected to be covered by the insurance. We welcome discussion of this at our meeting.

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 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.

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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:

- Review of the Academy's Systems and Controls and Confirmation of Operation during the Year 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; and
- Discussions with the Finance Team.

Matter Arising – no external scrutiny has been in place during the year from the academy's appointed internal auditor. The EFA Handbook requires the academy to have independent checking of controls. Our expectation is that reference should be included in the Headteacher's report as well as our audit report.

4 Taxation

4.1 Current year'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 academy 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:

	Assets Increase / (Decrease)	Liabilities Increase / (Decrease)	Resources Increase / (Decrease)
Net Movement in Resources per Trial Balance			120,824
Depreciation Not Charged on B/Fwd Assets	(1,200)		(1,200)
Sickness Insurance Not Prepaid	4,202		4,202
Support Contract for 2016/17 Not Prepaid	4,277		4,277
Audit and Accountancy Fees Not Accrued		4,400	(4,400)
Insurance Work / Other After Date Invoice Not Accrued		780	(780)
Agreed Income Recognition Adjustments	30,021	17,207	12,814
Adjustment of LGPS Deficit		364,000	(364,000)
Transfer of Funds to Multi-Academy Trust	(2,526,080)	(1,131,958)	(1,508,122)
Agreed Audit Adjustments	(2,488,780)	(745,571)	(1,857,209)
Net Movement in Funds per the Accounts			(1,736,385)

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6 Unadjusted items

During the audit the following non-trivial potential errors were identified, which have not been adjusted for. For the purposes of the audit the trivial level was set at £1,700:

After Date Invoices Not Accrued – Potential Effect is a Classification between Expenditure and Transfer to Multi-Academy Trust of £2,601.

LCC Income – the September 2016 remittance showed income detailed Sept15Mar16RCAddnl of £4,184 which has not been accrued in the Financial Statements. Potential Effect is an Increase to Income and to the Transfer to Multi-Academy Trust Expense.

We welcome the governors' confirmation that they do not wish the financial statements to be adjusted.

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 might identify.

There are no specific comments arising this year that have not been brought to your attention previously. In respect of the issues identified in the previous year:

1. Payroll – there continue to be some older balances which have not been resolved on payroll control accounts.
2. VAT – VAT Claims have only been submitted for the period from April 2015 to August 2016 on 16 November 2016. The work undertaken ultimately identified a difference of £1,005 between the accounts and the claims submitted. Our expectation is that claims should be submitted on a timely basis. This would not only aid cashflow but also allow the funds to be invested to earn additional interest for the academy.

We consider all of the items above to be a low priority.

Ruskington Chestnut Street Church of England Academy

Report to Governors

Appendix 1

Streets Audit LLP
Tower House
Lucy Tower Street
Lincoln
LN1 1XW

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 academy's financial statements and as, relevant, your assurance engagement on regularity for the year ended 31 August 2016. 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 academy 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 academy, and with all other 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 effect of uncorrected misstatements (as set out in the Report to Governors) is immaterial both individually and in total.

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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, analysis, regulators or others.

Assets and liabilities

- 9 The academy has satisfactory title to all assets and there are no liens or encumbrances on the academy'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

- 13 The academy 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.

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Law and regulations

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

Related parties

- 16 Related party relationships and transactions comply with the academy'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.

Grants and donations

- 18 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.
- 19 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.

Other

- 20 We confirm that the academy transferred its assets and liabilities to LAAT on 1 September 2016.
- 21 We confirm that the governors approved the honorarium payment of £1,500 made to the Headteacher in February 2016.

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

Yours faithfully

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Signed on behalf of the board of governors

Date.....

Ruskington Chestnut Street Church of England Academy Report to Governors

Appendix 2

Streets Audit LLP
Tower House
Lucy Tower Street
Lincoln
LN1 1XW

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 Ruskington Chestnut Street Church of England Academy and the Education Funding Agency (EFA) for the year ended 31 August 2016. 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 Ruskington Chestnut Street Church of England Academy and the Secretary of State for Education and the Academies Financial Handbook 2015.
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 academy trust's funding agreement and have had due regard to the requirements of the Academies Financial Handbook 2015 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 academy 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.....