M+A Partners
Innovation in partnership

St Mary's Church of England Academy Trust

Audit management letter

Year ended 31 August 2017

December 2017

Contents

1 Introduction

Background

The purpose of this report is to set out certain matters which came to our attention during the course of the audit of the financial statements of St Mary's Church of England Academy Trust ("St Mary's" or "the Academy") for the year ended 31 August 2017.

The purpose of our audit

Our audit is carried out in accordance with International Standards on Auditing ("ISAs") issued by the Auditing Practices Board. The main purpose is to report to the Governors whether, in our opinion, the financial statements:

+ give a true and fair view of the state of affairs of the company as at 31 August 2017 and of the company's income and expenditure;
+ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Financial Reporting and Annual Accounts requirements issued by the Education Funding Agency; and
+ grants made by the Education Funding Agency have been applied for the purposes intended.

Management letter

During the course of our audit of the financial statements for the year ended 31 August 2017, we examined the principal internal controls which the Governors have established to enable them to ensure, as far as possible, the accuracy and reliability of the Academy's accounting records and to safeguard the Academy's assets.

We have discussed these matters and we are writing formally in order to draw your attention to weaknesses in control which came to our notice during this examination and to suggest ways in which the system could be improved.

You will appreciate that our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Therefore our audit does not necessarily disclose every weakness and for this reason the matters referred to below may not be the only shortcomings which exist.

Regularity

In addition to reporting any significant matters arising from the statutory "true and fair" audit of the financial statements, we are also required to include in our management letter any issues in relation to our limited assurance work covering the regularity of both expenditure and income.

Acknowledgements

We take this opportunity to thank Jenny, Linda, and all other staff we met during our audit for the assistance offered to us during the course of our work.

2. Audit progress and status

Expected modifications to our report

We do not expect to make any modifications to our audit report. However, our responsibilities with regard to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

Audit adjustments

We are required by *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* to communicate all uncorrected misstatements, other than those that we believe are trivial, to Governors. There were no such uncorrected misstatements.

We are also required to report all material misstatements that management has corrected but that we believe should be communicated to Governors. A reconciliation of the surplus for the period per the SAGE records to the surplus per the Statement of Financial Activities is detailed opposite.

Significant difficulties identified during the audit and regularity assurance engagement

There were no significant difficulties encountered during the course of our audit.

Required communications

Auditing standards require us to communicate further matters to you by exception and to evaluate the adequacy of the communication process between us.

We confirm that there are no further matters to be communicated and that we are satisfied with the adequacy and effectiveness of the communication between us.

Surplus reconciliation for the year ended 31 August

	2017	*2016*
	£	*£*
Surplus per St Mary's records	**(55,161)**	***(22,824)***
FRS 102 LGPS adjustments	228,000	*(187,000)*
Depreciation	-	*(3,833)*
National Insurance Employer Allowance	-	*3,000*
Accrue bank interest	470	-
Increase audit accrual	(1,160)	-
Interest posted twice	-	*(1,208)*
Ill health retirement provision	(44,446)	-
Closing stock adjustment	-	*(705)*
Net movement in funds	**127,703**	***(212,570)***

Independence

We confirm that there are no relationships between MA Partners LLP and the Trust, the Trustees, Members and senior management that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement team other than as stated in our planning letter to you dated 23 September 2017.

We also confirm that we have complied with the requirements of auditing standards (ISAs UK & Ireland) and Ethical Standards in relation to independence and objectivity.

3. Audit approach and key areas covered

The table below documents the key risk areas identified in our planning letter to the Governors dated 23 September 2017 and how they were addressed.

Key audit risks	Our approach	Results
Fund accounting There is a risk that restricted funds received have not been identified or accounted for properly or invalid expenditure has been charged to restricted funds.	We will obtain details of the funds received and receivable and will gain assurance that income and expenditure has been attributed to appropriate funds through substantive testing of a sample of transactions.	We are satisfied that income and expenditure has been allocated to the appropriate funds and that restricted funds have been applied for the purposes intended.
Related party transactions There is a risk that the company has not identified all related parties and that transactions with these related parties have therefore not been identified and correctly recorded in the financial statements.	We will ask you to provide a list of all related parties and will review declarations of interest from the directors. We will consider whether any transactions with these related parties have come to light during our audit work and ensure that any transactions that have arisen are correctly disclosed.	Details of related parties were provided and the accounting records reviewed to ensure appropriate related party disclosures have been made.
Local Government Pension Scheme The pension liability is a significant balance sheet item and represents the Academy's share of the Local Government Pension Scheme. The amount recognised is based on a valuation undertaken by an actuary. The actuary also provides the disclosure for inclusion in the financial statements. There is a risk that the amount may be materially misstated where the data and assumptions used are not appropriate.	We will obtain and review a copy of the FRS 102 actuarial valuation prepared by the actuary and undertake procedures to determine our ability to rely on their work. We will undertake a review to ensure that the data and assumptions used by the actuary in preparing the FRS 102 valuation are reasonable.	We have reviewed the FRS 102 report issued by the actuary and the disclosures in the financial statements with no issues noted. We are satisfied that the actuary, Hymans Robertson LLP, is competent and independent.

3. Audit approach and key areas covered

Key audit risks	Our approach	Results
Revenue recognition This is considered to be a fraud risk area under International Standards of Auditing (UK and Ireland). We consider that the specific revenue risk relates to rights and obligations of your ESFA funding and cut off.	We will review ESFA grants received in the period and consider whether grants are recorded in line with the terms and conditions set. This will include the assessment of claw back of grants received and the treatment of any accrued or deferred elements. We will review all sources of income and controls pertaining to these sources of income to determine whether there is a risk of a material misstatement.	Our audit work in this area has been successfully completed. We have obtained the audit evidence we require to conclude that revenue recognition is not materially misstated and there are no significant matters which need to be reported to you.
Regularity The accounting Officer is required to sign-off a statement within the financial statements confirming that any instances of material irregularity, impropriety or funding non-compliance discovered have been notified to the board of trustees and the ESFA.	We are required to obtain information and explanations in order to provide us with sufficient appropriate evidence to report to you whether anything has come to our attention which suggests that in all material respects, expenditure disbursed and income received during the year have not been applied to purposes intended or that the financial transactions do not confirm to the authorities which govern them.	No matters have come to our attention which suggest that expenditure disbursed and income received during the year have not been applied to purposes intended or that the financial transactions do not confirm to the authorities which govern them. No matters of material irregularity, impropriety or funding non-compliance have been identified.
Staff costs Staff costs are the major costs of the Academy.	We will undertake substantive testing on a sample of payroll payments to confirm occurrence, classification and accuracy.	We have obtained the audit evidence we require to conclude that staff costs are not materially misstated and there are no significant matters which need to be reported to you.

3. Audit approach and key areas covered

Key audit risks	Our approach	Results
Risk of management override The International Standards on auditing (ISAs) presume that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records by overriding internal controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, there is an inherent risk of financial misreporting due to fraud which represents a significant risk on all audits. We understand that there have been no known instances of actual, suspected or alleged fraud affecting the company and your assessment of a material misstatement arising in the financial statements as a result of fraud is low risk.	We will examine the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We plan unpredictability into our audit plan and will execute procedures which include testing of immaterial items. We will identify and select journal entries and other adjustments for testing and verify these to supporting documentation. For significant abnormal or unusual adjustments, we will obtain an understanding of the rationale behind them.	Our audit procedures have not uncovered matters which indicate fraud. Our review of the material journal entries / adjustments did not identify any evidence of management override of controls.

4. Accounting policies and estimates

We have reviewed the Academy’s key accounting policies against those applied to other schools in the sector.

Accounting area	St Mary’s policy	Assessment
Incoming resources – voluntary income (e.g. donations and sponsorship)	Voluntary income is recognised on a receivable basis where there is certainty of receipt.	The policies adopted are consistent with other Academies and the Academies Accounts Direction 2016 to 2017 and are considered appropriate.
Incoming resources – Funding for the Academy’s educational operations	Grants are recognised on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet.	This policy is consistent with other Academies and is considered appropriate.
Land and buildings valuation and depreciation	The land and buildings have been included in the balance sheet in accordance with the valuation prepared by Barker Storey Matthews in March 2012. In accordance with the stated policy, buildings are being depreciated over 50 years. Land is being depreciated over the life of the lease, being 125 years.	The independently commissioned valuation prepared by Barker Storey Matthews was judged to provide a reasonable and reliable estimate of the value of the land and buildings on conversion as is required by the Accounts Direction. The academy’s depreciation policy of writing the buildings off over 50 years is consistent with other schools and considered reasonable. The academy’s depreciation policy of writing the land over 125 years is considered reasonable.
Depreciation other than buildings	Depreciation has been charged at the following rates: • Grounds and property improvements – 2% to 10% straight line • Plant and equipment - 20% straight line • Computer equipment - 33.3% straight line	The depreciation rates adopted are considered to be appropriate.
Capitalisation of tangible fixed assets	All fixed asset additions are capitalised where the cost of such an asset exceeds £1,000.	This policy is considered appropriate and consistent with other primary schools.
Local Government Pension Scheme	An actuarial valuation is obtained for the Academy’s share of the Suffolk Pension Fund. Current service costs are included as part of staff costs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.	The policy adopted is consistent with other Academies and the Academies Accounts Direction 2016 to 2017 and considered appropriate.

5. Observations arising from our audit – current year

Observation	Implication	Recommendation	Response	Timescale for action
No matters arising				

6. Observations arising from our audit – prior year

Observation in 2016	Recommendation	Response	Observation in 2016	Status
No matters arising				

7. Summary of unadjusted audit differences

Description	Assets	Liabilities	SOFA	Reason for not adjusting
Westrock CCTV prepayment	1,215	-	1,215	Immaterial
	1,215	-	1,215	