

13<sup>th</sup> December 2018

The Trustees  
Futures Schools Trust  
Cornwallis Academy  
Hubbards Lane  
Maidstone  
Kent  
ME17 4HX

Dear Sirs

**REPORT TO MANAGEMENT**

During the course of our audit and regularity assurance engagements for the year ended 31 August 2018 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit and assurance tests which are designed to assist us in forming our opinion on the financial statements and providing a limited assurance conclusion on regularity. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit and assurance tests, we would, of course, inform you immediately.

This report has been prepared for the sole use of the trustees of Future Schools Trust. We understand that you are required to provide a copy of this report to the Education and Skills Funding Agency. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Williams Giles towards any party acting or refraining from action as a result of this report.

We would be grateful if you could enter the academy's comments against each point under the "management response" column of the memorandum and return it to us in due course.

Finally, we would like to express our thanks to all members of the academy's staff who assisted us in carrying out our work.

Yours faithfully



**Williams Giles**

**Office & Registered Office:**

12 Conqueror Court, Sittingbourne, Kent. ME10 5BH

Williams Giles is the trading name of Williams Giles Professional Services Ltd a company registered in England and Wales Co. No. 11411023.

A list of company directors can be found at the above address.

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**SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR ENDED 31 AUGUST 2018**

**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.

There were no changes to our audit approach as previously communicated to you.

**Summary of significant audit findings<sup>1</sup>**

<b>Significant risk area identified at planning</b>	<b>Findings, significance and recommendations</b>	<b>Management response / timetable for action</b>
Related Parties	<p>GREEN – From testing carried out on the declarations it was identified that a number of interests were filled out with 'none'.</p> <p>We recommend that all interests are declared in-line with ESFA guidelines even if the only interest is with a trustee's respective Academy.</p>	
Revenue recognition – Bursary funding	<p>GREEN – From review of income streams it was identified that the amounts for unspent ESFA bursary funding had not been moved to 'Other creditors'.</p> <p>We recommend that a review of this income stream is undertaken and any underspends are moved to SOFP as these monies are owed to the ESFA if unspent.</p>	
Revenue recognition – Pupil premium	<p>GREEN - From testing undertaken on Pupil premium income it was identified that accrued income had not been correctly adjusted for at the year-end.</p> <p>October 2018's remittance covers the period July, August and</p>	

	<p>September meaning an adjustment for two-thirds of this income should have been made; however only one third was adjusted for therefore understating income.</p> <p>We recommend that the periods in which grant income relates to are reviewed to ensure that income is recognised in the correct period.</p>	
Revenue recognition – Rates relief	<p>GREEN - From testing undertaken on Rates relief income it was identified that accrued income had not been correctly adjusted for at the year-end.</p> <p>The 2019 claim covers the period April to March 2019 meaning an adjustment for five twelfths of this income should have been made; however seven twelfths was adjusted thus overstating income.</p> <p>We recommend that the periods in which grant income relates to are reviewed to ensure that income is recognised in the correct period.</p>	
Revenue recognition - Parentpay	<p>GREEN - From testing undertaken on Non-grant income it was identified that there was a small timing issue on the postings of the parent pay reports.</p> <p>It was seen that Parentpay pays into the academy bank accounts every week; this appears to have created a small timing issue of a few days for monies received in the end of August but banked in September.</p> <p>We recommend that a review of these transactions is undertaken at the year-end to ensure any accrued income is correctly adjusted for.</p>	
Accounting estimates – Accrued trip income	<p>AMBER – From testing undertaken on accrued income it was identified that an adjustment of £61k had been put through to clear down deficits on the trips ledger and moving it into the 2018-19 year.</p> <p>We recommend that thorough analysis of Trips/Voluntary funds are undertaken to ensure that trips are not run at a loss.</p> <p>If trips are run at a loss a deficit should be recognised as it occurs and not be moved between years.</p>	
Staff costs – Salary Advances	<p>AMBER - From testing carried out on wages deductions it was identified that several staff had been paid incorrectly over the course of the year.</p> <p>This was caused by some members of staff being paid as full-</p>	

	<p>time when they were part-time as well as a member of staff's salary continuing to be paid after they had left.</p> <p>The balance in 'salary advances' reflect the monies owed back to the school.</p> <p>We recommend that a review of the starters and leavers is undertaken to ensure that starter salaries are correctly applied as well as leavers removed from future pay runs.</p>	
Staff costs – Payroll audit trail	<p>AMBER - From testing carried out on the wages proof in total it was identified that the whole payroll costs were not being posted as per the payroll reports by school.</p> <p>The academies employ staff on behalf of other academies within the trust and then recharge; although this is not necessarily an issue from a consolidated point of view it makes it difficult to track whether payroll costs have been correctly included within the financial statements.</p> <p>We recommend that the payroll is posted as per the payroll reports and then a separate journal be undertaken to move any staff between entities; this should prevent any issues at year-end.</p>	
Staff costs – Starter details	<p>AMBER - From testing carried out on wages deductions testing it was identified that one member of staff had not had their P45 details entered onto the payroll system.</p> <p>We recommend that statutory information is chased prior to the running of the payroll to ensure that all tax deductions on the PAYE scheme are calculated correctly.</p>	
Staff costs – Starter FTE	<p>AMBER - From testing undertaken on new starters it was identified that there were a few employees that had issues with their starting pay.</p> <p>This was caused by employees being put on incorrect FTE figures leading to them being overpaid.</p> <p>We recommend that a secondary check is undertaken between HR and Payroll to ensure that contract information is reflected correctly on the payroll being run.</p>	
Accounting for cash receipts and cash payments	No significant issues identified.	
Accounting for accrued expenditure	No significant issues identified	
Regularity assurance	GREEN – From discussions with accounting officer and reviews of minutes the ESFA 'Dear	

	<p>Accounting Officer' letter has not been discussed during the 2017/18 year.</p> <p>We recommend that the letter issued at the beginning of each financial year is discussed at board level as expected by the ESFA.</p>	
Internal Scrutiny – Debtors chasing	<p>GREEN - From testing carried out on trade debtors it was identified that there had been a delay in raising the lettings invoices for August 2018 due to staff absence.</p> <p>This has led to a large number of trade debtor balances at the year-end which appear to have been outstanding for several months when in fact they had only been raised in November.</p> <p>We recommend that delegation controls are put in place to ensure that systems continue to be upheld even when a staff member is away. This will ensure that debtors are chased and that monies is recovered in a timely manner.</p>	
Internal Scrutiny – Nursery fees	<p>GREEN - From testing undertaken on trade debtors it was identified that there were a large number of Nursery fees outstanding on the ledger.</p> <p>It was found that this was due to some staff members not submitting their Sodexo vouchers to the nursery.</p> <p>We recommend that the Trust informs staff members that they have to submit the vouchers to the nursery; in order to ensure that there is no delay in monies being recuperated by the Trust.</p>	
Internal Scrutiny – TB movement	<p>AMBER - There have been several TB movement adjustments undertaken during the course of the audit; due to unfinished reconciliations etc.</p> <p>We recommend that TBs are finalised prior to being provided for the audit to avoid any duplicate audit adjustments and other errors caused by the use of various different TBs.</p>	

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
Fixed Assets – Assets missed off registers	<p>GREEN - From testing carried out on the client fixed asset registers it was identified that an asset had been missed off the register leading to a discrepancy between the accounts and the register itself.</p>	

	<p>We recommend a review is undertaken regularly to ensure that all assets capitalised in the accounts are correctly recorded on the register and correctly depreciated.</p>	
<p>Fixed Assets – Assets capitalised from purchase orders (accrued)</p>	<p>GREEN - From testing carried out on the preparation of the FAR it was found that several items had been capitalised based on a PO rather than a purchase invoice.</p> <p>Although capitalising an asset in advance of an invoice being received is not an issue if in use before year-end; it was then found that the invoice was then again capitalised once received.</p> <p>This in turn creates duplicated assets on the FAR.</p> <p>We recommend that a review is carried out on FAR additions during the year to ensure that any capitalised in the prior year are not accidentally included twice once additions invoices are received.</p>	
<p>Fixed Assets – Duplicated assets on register</p>	<p>AMBER – From testing carried out on New Line's fixed asset register it was identified that an asset had been capitalised twice on the register.</p> <p>We recommend that the FAR is reviewed regularly for duplication during the year to ensure that costs are not overstated.</p>	
<p>Fixed Assets – Missing invoice</p>	<p>GREEN – From testing carried out on fixed asset additions we were not able to identify one additions invoice from those sampled.</p> <p>We recommend that all backing information for fixed assets are kept up to date to ensure values in the financial statements are accurate.</p>	
<p>Fixed Assets - Verification</p>	<p>GREEN – From physical verification testing an asset was unable to be viewed as staff did not know where the asset had been moved to.</p> <p>We recommend that a log of where capital assets are kept is recorded on the fixed asset register; this will enable easier verification and identification of disposals.</p>	
<p>Fixed Assets – Over depreciated assets (negative net book values)</p>	<p>AMBER - From testing carried out on the client fixed asset register it was found that a years' worth of depreciation had been missed which had already been posted into the accounts.</p>	

	<p>Additional depreciation was then posted into the accounts which lead to negative net book values.</p> <p>We recommend that a thorough review is undertaken between the fixed asset register and the accounts at year-end and checks are undertaken to ensure no assets are over-depreciated.</p>	
Prepayments – Insurance VAT	<p>GREEN - From testing undertaken on prepayments it was identified that the insurance had been posted net of IPT and that this had been claimed as part of the VAT126 return.</p> <p>We recommend that a review of insurance invoices is undertaken to ensure that IPT is not claimed in the future; as this is an irrecoverable tax and should not be included as part of VAT treatment.</p>	
Expenditure – Purchase Orders	<p>GREEN – From testing carried out on expenditure it was identified that not all expenditure requiring a purchase order had one.</p> <p>We recommend that all requested expenditure has an accompanying purchase order to show an audit trail of approval prior to purchase.</p>	
Trade Creditors – Rates postings	<p>AMBER - From testing carried out on trade creditors it was identified that within Cornwallis and New Line the full rates invoice had been posted in the system as well as the March 2018 DD duplicating cost.</p> <p>We recommend that a review of DD invoices is undertaken to ensure that payments are correctly allocated against trade creditors to avoid duplicating costs.</p>	
Other Creditors – Payroll liability reconciliations.	<p>AMBER - From reviews of the control accounts it was found that the Cornwallis LGPS control did not agree to the payroll report.</p> <p>This appeared to be due to unreconciled inter-trust movements only posted within Cornwallis but not the other entities.</p> <p>We recommend that the payroll control accounts are reviewed monthly to ensure that they agree to the payroll reports after inter-entity movements.</p>	
Other Creditors - Reconciliation	<p>AMBER - From testing carried out on other creditors it was identified that £24k carried from the previous year had not been reversed against land and buildings additions in regards Plaza 9A.</p>	

	<p>We recommend that closing accruals are reviewed in the new year to make sure that they fully clear down to avoid duplicate entries.</p>	
<p>Bank Reconciliations – Voluntary fund account</p>	<p>AMBER - From review of bank balances it was identified that the opening position on the New Line voluntary fund had been duplicated between NC 9403/9404.</p> <p>The Voluntary Fund in the prior year had been manually reconciled by way of excel spreadsheet; however the year-end balance was journaled into PSF at the end of each year to NC9404.</p> <p>This year the bank balance was brought into PSF and reconciled through the system; however when the balance was brought in at the 29th June to NC9403; the opening position in NC 9404 was not brought across.</p> <p>We recommend that the trial balance is reconciled and reviewed regularly to ensure that all balances are accounted for correctly to avoid duplication.</p>	
<p>PSF Referencing</p>	<p>GREEN - Upon review of bank balances it was identified that the Endowment fund bank account was detailed as 'Current Account' in New Line Learnings TB.</p> <p>We recommend that nominal codes are given descriptions that make them discernible and relevant to the balance in which they reflect.</p>	
<p>VAT - Reconciliation</p>	<p>GREEN - From testing carried out on the VAT reconciliation it was identified that there was a difference between the VAT claimed at the end of August 2018 and the balance per the TB amount to approximately £4k.</p> <p>We recommend that a reconciliation is undertaken monthly to ensure that the VAT agrees to the claim made to HMRC by the year-end submission.</p>	
<p>Intercompany - Reconciliations</p>	<p>AMBER - From testing carried out on the reconciliation of the inter-company positions it was identified that the inter-trust debtors and creditors did not net off leaving a difference of £59k.</p> <p>We recommend that the inter-trust transactions are reconciled to one another at least monthly to avoid issues with elimination at the year-end; if this is not undertaken it can lead to inflated debtors/creditors at the year-end.</p>	



### Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified and significance	Potential implications and recommendations	Management response / timetable for action
From review of Tiger's other creditors it was identified that nursery deposits did not have a formal register in place for the 2017-18 year.	<p>There is potential for duplicated deposits being recorded as well as a difficulty in proving what money is owed to each parent; especially if the money is not repayable for a number of years.</p> <p>We recommend that a formal register is kept of nursery deposits to ensure that monies owed is recorded correctly in the accounts.</p>	
From testing carried out on the wages section it was identified that there was a control weakness between the transfer of information between HR and Payroll.	<p>The impact of this is that staff are over/underpaid leading to salary advances as listed above; this can be fairly significant if the staff member was on a higher salary prior to leaving the Trust.</p> <p>We recommend that a process is put in place so that HR and Payroll review the month-end payroll prior to its finalisation to ensure that leavers are removed and pay discrepancies are identified.</p>	

### Update on prior year's management letter points

Audit issues communicated in last year's management letter and our proposed approach to each of these areas, in light of developments in the 2016 are outlined below:

Findings / recommendations	Status in current In year	Management response / timetable for action
<p>GREEN - There were issues regarding following year end schedules, some areas did not agree to client trial balance and ledger. This included other debtors, prepayments, other creditors and accruals/deferred income.</p> <p>We recommend someone to look over the trial balance to double check it always agrees to the ledger.</p>	<p>From testing carried out in the current year there were still issues with balances on the trial balance not being reconciled.</p> <p>We recommend that a month-end process is established so that the balance sheet is reconciled every month to avoid legacy issues at the year-end.</p>	
<p>GREEN - Some employment contracts were unsigned.</p> <p>We recommend that all contracts are appropriately authorised and signed by the Head.</p>	<p>From testing carried out on starters during the year there were still some employees that did not have a signed contract on their personnel files.</p> <p>We recommend that the personnel files are regularly reviewed to ensure that they are up to date.</p>	

GREEN - Risk registers have not been updated since Aug 2015. Ari will be updating them during 2017/18.	From review risk registers are currently being updated in the current year as minuted in the Audit committee minutes 18/07/2018.	
We recommend having a more up to date risk register going forward.	Copy of Updated register at February 2018 observed.	

#### Draft letters of representation

We attached draft letters of management representations required in connection with our audit.

#### Outstanding matters

Prior to issuing our audit report we require:

- the signed letter of representation;

#### Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

#### Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by ESFA. 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 academy trust's income and expenditure. The work undertaken to draw our conclusions included:

- An assessment of the risk of material misstatement and irregularity
- Testing and review of areas identified through risk assessment including enquiry, inspection and review, observation and re-performance
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime
- Consideration of evidence obtained through the work performed as part of our audit in order to support the regularity conclusion

We anticipate that we will issue an unmodified regularity assurance report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

Regularity issues brought to your attention in connection with the regularity assurance engagement are as follows:

Findings and significance	Potential Implications / financial impact and recommendations	Management response / timetable for action
No regularity issues identified		