



**williams giles**  
Chartered Accountants

21 December 2016

PRIVATE AND CONFIDENTIAL

The Trustees  
Future Schools Trust,  
Hubbards Lane  
Linton  
Maidstone  
Kent  
ME17 4HX

Our ref:

Dear Sirs

REPORT TO MANAGEMENT

During the course of our audit and regularity assurance engagements for the year ended 31 August 2016 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 School Trust. We understand that you are required to provide a copy of this report to the Education 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*

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**SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT AND REGULARITY ASSURANCE ENGAGEMENTS FOR THE YEAR ENDED 31 AUGUST 2016**

**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>**

Significant risk area identified at planning	Findings, significance and recommendations	Management response / timetable for action
Nothing significant		

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
Nothing significant identified		

**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
Nothing Significant Identified		

**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 [year] are outlined below:

Findings / recommendations	Status in current in year	Management response / timetable for action

<sup>1</sup> \_\_\_\_\_



<p><b>Business Interest Forms</b></p> <p>Amber – It was noted during the audit that not all business interest declaration forms included all potential related party relationships. This increases the risk that related party transactions may fail to be identified and disclosed appropriately in the financial statements.</p>	<p>This issue has been appropriately actioned</p>	
<p><b>Revenue Recognition</b></p> <p>Amber – It was noted during the audit that revenue and expenditure for the trust laptops was not being recognised within the SOFA. Instead the corresponding entries were netted off within other debtors.</p> <p>Going forward we recommended that the income should be recognised when the laptops are given out to the pupils and the expenditure should be recognised when they are received by the Academy. Any computers held over the summer period should be recognised as stock.</p>	<p>This issue has been appropriately actioned</p>	
<p><b>Fixed Asset Capitalisation</b></p> <p>Green – From the procedures carried out at the year-end it was noted that a number of large capital projects had not been included on the Fixed Asset Register at the year-end.</p> <p>This was due to the capitalisation limit being set at £1000 minimum per item but we would recommend the need to consider the size of the project being undertaken and its material value to the academy. Therefore if a large batch of computers, furniture or other equipment is purchased in the year this should be moved to the balance sheet at the year end and depreciated over its assets useful economic life.</p>	<p>This issue has been appropriately actioned</p>	



<p><b>Classification Errors</b></p> <p>Green – During the Audit a number of posting errors were noted these included:</p> <ul style="list-style-type: none"> <li>• Tigers prepayments reporting a credit balance due to UIFSM deferred income being posted here rather than to creditors.</li> <li>• Tigers Sundry Debtors also reported a credit balance due to an inner-academy creditor being posted here.</li> </ul> <p>We recommended that a review of the debtors and creditors are made prior to the audit to ensure that debtors includes debit balances of money due to the trust at the year-end and any credit balances be reposted to creditors.</p>	<p>This issue has been appropriately actioned</p>	
<p><b>Purchase Orders</b> – it was noted from our procedures that there was a lack of purchase orders available for the expenditure tested.</p> <p>Green - This highlights a weakness in the Academies controls and the levels of authorisation and review present when employers are ordering expenditure.</p> <p>We therefore recommended that the need for purchase orders is reinforced amongst all budget holders and any missing orders are chased by the finance team.</p>	<p>This issue recurred to a small degree but numbers of POs were much improved. There was an issue around some procurement where prices had changed from when the PO was first produced to the final invoice value where the accounting system would not allow a modification..</p>	

**Summary of audit differences and draft letter of representation**

Attached is a schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm that you are satisfied that none of these need to be adjusted for in the financial statements.

**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 2015 to 2016 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 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:

<b>Findings and significance</b>	<b>Potential implications / financial impact and recommendations</b>	<b>Management response / timetable for action</b>
None	None	None