



Acorn Trust

*Audit Findings Report for
the year ended 31 August
2018*

Chartered accountants & business advisers

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Trusted Thinking

Acorn Trust

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Introduction

This document aims to assist the directors with regard to the financial statements by summarising the results of our audit work.

This memorandum has been prepared by MHA Moore and Smalley in connection with the audit of the financial statements of Acorn Trust for the year ended 31 August 2018.

The summary has been provided by MHA Moore and Smalley in connection with the external audit services supplied to Acorn Trust and has been prepared solely for the benefit of these organisations. MHA Moore and Smalley neither owes nor accepts any duty of care to any third party and shall not be liable for any loss, damage and/or expense which is caused by any reliance that any other party may place on this information.

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Executive Summary

Key audit risks

We have obtained sufficient audit evidence to conclude on the risks identified in the Outline Audit Strategy.

Accounting policies, estimates and disclosures

We have reviewed the significant accounting estimates and have concluded that there are no material misstatements.

Specific representations from the Directors

- The agreed audit and accounting adjustments on page 10 have been approved.

Agreed audit adjustments

The key audit and accounting adjustments related to the FRS 102 pension adjustment, along with additional accruals, accrued income and prepayments and capitalisation of an item.

Unadjusted misstatements

There are no unadjusted misstatements that are in excess of the agreed triviality threshold.

Recommendations

- The fixed asset register is periodically reviewed for assets that may no longer be held by the Trust.

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Audit and accounting issues

Significant findings	Treatment in accounts
Funds Summary	The fund balances (excluding the restricted fixed asset fund and the pension reserve) as at 31 August 2018 were Central Services: £506,460, Bedford Hall: £134,416 and Westleigh Methodist: £249,876.
Treatment of fire costs/insurance proceeds	<p>Costs recognised in relation to the fire total £410,403.</p> <p>Income of £100,000 was received in the year and a debtor of £310,403 has been included so that the income in the accounts is now equal to the fire costs incurred up to the year end - this income is sufficient to cover the Dale contractor costs (up to valuation 2 - expected to be the final valuation as the work was completed pre year end) plus other non-building costs (e.g. learning resources/smoke damage) incurred to 31/8/18.</p> <p>Total income of £410,403 consists of fixed asset disposal proceeds of £42,003 and other income of £368,400.</p>
Going concern and budgeting	<p>At the start of the year, the academy had free reserves of £919,408.</p> <p>At the end of the year, free reserves were £890,478.</p> <p>The directors' report explains the plans in place to utilise these reserves and that the Board continues to review the Trust's reserve position.</p>

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Key audit risks

The key audit risks identified at the planning stage are set out below, together with the results of our testing.

Risk	Audit procedures undertaken	Conclusion
<p>Expenditure</p> <p>Expenditure may not have been allocated correctly against the General Annual Grant and other funding streams resulting in an incorrect carried forward balance.</p>	<p>GAG funding was agreed to confirmation from the EFA. The allocation of expenditure in conjunction with the funding agreement was reviewed and tested to ensure that it had been allocated correctly. Expenditure reviewed against other funding streams to ensure that the correct balance had been carried forward.</p>	<p>Sufficient audit testing has been performed to provide assurance that the restricted fund balances carried forward appear to have been correctly stated.</p>
<p>Income</p> <p>Income may not be allocated correctly between restricted and unrestricted funds. Income may not be recognised in the correct period.</p>	<p>The allocation of the various income streams was tested to ensure it was correctly allocated between unrestricted and restricted funding.</p>	<p>Sufficient audit testing has been undertaken to obtain evidence that income has been recognised in the correct period as well as it being appropriately allocated between restricted and unrestricted funds.</p>
<p>Fixed assets</p> <p>Fixed asset additions may not have been capitalised in accordance with the MAT's policy. Treatment of land and buildings may not comply with the revised Academy Accounts Direction guidance.</p>	<p>All repairs and maintenance expenditure was reviewed to identify potential capital items.</p>	<p>Sufficient audit testing has been undertaken to obtain evidence that fixed assets have been capitalised in accordance with the MAT's policy.</p>
<p>FRS102 Pension Liability</p> <p>The FRS102 Pension Liability may not have been calculated correctly.</p>	<p>Qualifications of the actuary valuing the liability have been considered and also ensured that assumptions used are reasonable.</p>	<p>The valuation is provided by Hymans Robertson LLP who are regulated by the Financial Conduct Authority. The assumptions used in the calculation are in line with assumptions used for other academies.</p>

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Key audit risks (continued)

Risk	Audit procedures undertaken	Conclusion
<p>Disclosures</p> <p>All required disclosures may not be included correctly in the accounts.</p>	<p>Disclosure checklists were completed to ensure the requirements of the Companies Act, Charities SORP and Academies Accounts Direction have all been met.</p>	<p>The disclosures meet the requirements of the Companies Act, Charities SORP and Academies Accounts Direction.</p>
<p>Regularity</p> <p>Income and expenditure may not have been applied for the purposes intended and approval may not have been sought from the DFE as required for certain transactions</p>	<p>Income and expenditure were reviewed (including credit card and petty cash expenditure) to identify unusual or unexpected transactions which may not be valid or appropriate.</p> <p>We also reviewed to identify any transactions which would require prior approval from the Secretary of State to ensure that this had been obtained.</p>	<p>No transactions were identified which required prior approval from the DfE and this was confirmed to be the case by the Business Manager. No irregular or improper use of funds was identified throughout the course of the audit fieldwork and there appear to be sufficient controls in place to enable the Accounting Officer to identify any such instances.</p> <p>A payment has been made to the following:</p> <ul style="list-style-type: none"> J Todd, a director, for a safeguarding audit - £600 <p>This transaction is below the £2,500 annual de minimis level for the requirement to comply with 'at cost' principles.</p>

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Key audit risks (continued)

Risk	Audit procedures undertaken	Conclusion
<p>Management override</p> <p>Unauthorised transactions are processed in the accounting records.</p>	<p>Cashbooks, credit card statements, expense claim forms and non-recurring journals have been reviewed for any non-routine transactions outside the normal course of business.</p>	<p>No unauthorised transactions have been identified during the audit. All purchases/journal postings appear to be in line with the normal course of the business.</p>
<p>Going concern</p> <p>Consideration of impact on disclosures and audit opinion</p>	<p>New audit requirements have led to enhanced auditor reporting in relation to going concern, and we have to set out our conclusions in a separate section of the audit report. Our audit work must include consideration of events after the year end and any factors affecting the future financial performance and position of the Academy. We must also consider the ongoing sustainability of the Academy.</p> <p>Details on future confirmed income streams have been obtained and the Academy's forecasts have been reviewed for a period of at least 12 months to December 2019. Post year end accounts and meeting minutes have been reviewed for information on the ongoing performance of the Academy.</p>	<p>It appears that disclosures in the accounts regarding going concern are adequate and appropriate</p>

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Key audit risks (continued)

Risk	Audit procedures undertaken	Conclusion
<p>Trustees' annual report (TAR)</p> <p>The Trustee' annual report may not be consistent with the accounts and all required disclosures may not be included.</p>	<p>We are required to state in our audit report that the TAR has been prepared in accordance with applicable legal requirements, and state that we have not identified any material misstatements in the TAR. We will therefore read the TAR and check that it fulfils the requirements. Given our additional responsibilities, we may need more audit evidence to back up narrative on key elements of the TAR.</p>	<p>Sufficient work has been undertaken to satisfy us that the Trustees' annual report is consistent with the accounts.</p>
<p>Impact of fire at Westleigh Methodist School</p> <p>The financial impact of the fire may not be recognised in the accounts correctly.</p>	<p>We will review the insurance claim to ensure the income received and the amount expended to repair the school has been recognised correctly in the year. We will also review the fixed asset register to ensure all assets damaged in the fire have been disposed of and all replacement assets have been added to the register.</p>	<p>Sufficient assurance has been obtained that the financial impact of the fire has been correctly recognised in the accounts.</p>

No additional key risks have been identified during the course of the audit.

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Specific disclosures required in the accounts

We are required by Auditing Standards to make certain communications with you in writing as set out below:

Accounting policies, accounting estimates and disclosures within the financial statements	<p>As part of our audit work we have reviewed the accounting policies adopted by the company, the accounting estimates used in drawing up the financial statements, and the disclosures included within the financial statements.</p> <p>There are no specific matters which we consider should be drawn to your attention concerning these qualitative aspects of the academy's accounting practices and financial reporting.</p>
Expected modifications to the audit reports	There are no expected modifications to the audit reports.
Other matters required by Auditing Standards to be communicated to the Directors	There are no other matters that we are required by auditing standards to communicate to you.
Other matters relevant to the audit.	<p>We have discussed with you the fact that we have provided accounting services and Responsible Officer services 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 audit independence as these services are provided by a separate team of staff. In addition, all adjustments to the draft accounts are agreed with Senior Management and Directors, and any matters requiring the exercise of judgement, are decided upon by Senior Management and Directors.</p>

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Specific representations from the Directors

As part of the completion process, we will ask you to provide a letter confirming representations made to us during the audit process.

The letter of representation confirms that we have had access to all relevant information, books and records during the audit together with other representations which are provided annually.

In addition there may be specific representations which are requested in relation to an individual period of accounts.

Each year the Directors are asked to confirm their responsibility for the preparation of the accounts and that it is appropriate to prepare the accounts on a going concern basis and that the accounts include all relevant information up to and including the date on which the report and accounts are signed.

You are also asked to confirm that you have no knowledge of any fraud, and that all related parties and related party transactions have been properly notified to us.

This year we will ask the Directors to confirm the following:

- The agreed audit and accounting adjustments on page 10 have been approved.
- The Startwell Centre funding runs from April – March. The Trust intends to fully spend the surplus arising between April – August 2018 hence there is no claw back to accrue.

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Agreed audit and accounting adjustments

This is a summary of the adjustments made to statutory accounts, since we received the original drafts. You will be asked to confirm that you approve these adjustments in the letter of representation.

	Central	Bedford Hall	Westleigh	Childrens Centre	Trust
	£	£	£	£	£
Surplus/(deficit) per PSF draft accounts	(28,324)	31,707	(104,291)	41,090	(59,818)
Adjust for accruals/deferred income	(13,610)	(22,784)	(28,987)	(32,981)	(98,361)
Adjust for prepayments/accrued income	9,902	23,285	36,506	452	70,145
Transfer of fire costs/insurance income	(60,773)	-	60,773	-	(0)
Accrue fire costs	-	-	(166,736)	-	(166,736)
Fire insurance debtor	-	-	105,963	-	105,963
Capitalise fire replacement costs	-	-	35,909	-	35,909
Disposal of assets damaged in the fire	-	-	(42,003)	-	(42,003)
FRS 102 pension adjustments	78,000	-	-	-	78,000
Adjust for items capitalised	-	8,459	198,998	7,508	214,966
Adjust for depreciation	-	(35,990)	(33,207)	(2,488)	(71,685)
Intercompany funds transfer	94,041	(44,084)	(49,957)	-	-
Surplus per statutory accounts	79,235	(39,406)	12,968	13,582	66,379

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Prior year recommendations – follow up

These are our recommendations for improvements to the current systems and procedures which have come to light during the course of our audit work.

RANK:

(H)igh – Should be urgently attended to by the directors and management.

These are significant issues which may result in a qualification of the audit report in future periods if not satisfactorily addressed.

(M)oderate – Issues requiring the attention of the directors and management.

Issues ranked as moderate require close monitoring by the directors and senior management to ensure timely resolution.

(L)ow – Issues requiring management attention and correction.

Issues ranked as low are generally routine in nature and should be resolved by general management. The directors and senior management should be aware of these issues to enable monitoring of progress with their resolution. These issues may be reported to management in less detail than more highly rated issues.

Rank	Matters arising and recommendation	Management response	Follow up
L	<p>Claw back of donation received to fund pastoral worker’s salary</p> <p>Donations equivalent to annual funding of £20,000 for 5 years are being received to fund a pastoral support worker. The current annual cost is £18,000. The agreement with the donor does not specify how the excess is to be treated at the end of the 5 year period.</p> <p>We recommend that a signed agreement is drawn up to specify the treatment of any surplus made on the donation.</p>	<p>The Trust will contact the donator to discuss how any surpluses will be treated and this will be added as an addendum to the agreement. In addition, in each yearly report, the amount of surplus will be stated for the donator's information.</p>	<p>This year’s donation has been reduced such that there was no surplus made at the year end.</p>

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Recommendations – current year

Rank	Matters arising	Recommendation	Management response
L	<p>Review of fixed asset register</p> <p>During the audit it was identified that one asset in Wesleigh Methodist (Year 1 Horseshoe table) no longer existed. This creates a risk that the fixed assets are overstated in the accounts.</p>	<p>We recommend that the fixed asset register is reviewed periodically and updated for assets that no longer exist.</p>	<p>Agreed that the register will be reviewed and updated on a regular basis.</p>

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 tests, we would, of course, inform you immediately.

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