



Sir Robert Pattinson Academy

Report to Governors

Audit for the Year Ended 31 August 2019

This report was discussed with the governors at their meeting on 16 December 2019. Relevant comments have been included in italics.



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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.

Streets Chartered Accountants has offices in Bedford (Wyboston Lakes), Brighton and Hove, 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 2019 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 through a review of the latest 2019/20 management accounts.
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 Accounts and Audit Issues

This section includes a discussion of the key areas of the financial statements and details the key issues that arose during our Financial Statement audit and Regularity Audit for discussion and agreements with the governors.

3.1 Key Accounts Points

The draft accounts show an increase in incoming resources with notable increases in both donations and capital grants and charitable activities. The increase in donations and capital grants is due to the level of CIF income received in the year, which is consistent with the increased maintenance expenditure as well as the one-off additional DFC receipt in the year.

The increase in charitable activity income is most due to the increase in GAG income due to a mix of increased pupil numbers and increased funding per pupil. There is also an increase in other ESFA grant income arising from the Teachers Pay Grant in the year and the £17,890 of Bursary funding spent on IT equipment for qualifying pupils to use.

The increase in expenditure is mostly due to the CIF related work as discussed above. We do note that this has been expensed consistent with the costs in the previous year despite the academy's policy for the depreciation of property i.e. the works could be seen to re-instate some of the depreciated value. In addition to maintenance costs, staff costs and supply staff costs have both increased. The increase in supply staff costs is in line with the reduction in staff numbers disclosed in the accounts.

In terms of the balance sheet, we do note the significant reduced level of cash at bank and in hand which is in line with the overall results presented for the year but also due to the increased VAT debtor due to a delay in submissions being made in the year.

3.2 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 academy operates.

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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 – Standard Audit Risks:

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. We confirm that no issues were observed during the audit.

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

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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.

The only adjustment made to income was in relation to SEN funding where backdated funding for 2017/18 was agreed as receivable for a pupil of £6,960.

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

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 ESFA as a key area.

Our review of related party relationships did not identify any new parties in the year. Disclosure of the employment of a governor's spouse continues to be given in the financial statements. We again highlight that the Accounts Direction includes example wording of such a disclosure which includes the name of the relevant parties.

Summary of Significant Audit Findings – Other Key Areas:

1 Payroll

We consider payroll to be a significant area to the academy given that it is the largest cost. Our audit work during the year has included reviews of the systems and controls for monthly processing and a reconciliation of the cost to payroll records. We can confirm that based on the samples tested and reconciliation review we found no significant weaknesses in the payroll controls.

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2 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 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 academy's share of the deficit to 31 August 2019 is £2,221,000, an increase of 77.7%. We have seen increases across all of our Lincolnshire academies with the increase being mostly due to the reduced discount rate assumption used by the actuary.

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

3 Going Concern

Our review of going concern noted that the academy expects to have sufficient reserves available for the next 3 financial years. However, we do note the GAG deficit for the year and the significant decrease in cash.

Our review of the budget forecast submitted to the ESFA did suggest the overstatement of GAG income for 2019/20 compared to the GAG statement received. We accept that the balance may have included an expected contribution from the ESFA to cover the increased TPS contributions but would consider it to have been more accurate to show the figure separately.

We also note that the total pension costs as a percentage of salaries is 17.3% in the budget forecast. The equivalent percentage per the 2018/19 draft accounts is 16.4%. We would have expected to see a larger increase given the change in TPS employer contribution rate from September 2019.

The draft financial statements currently include only the standard disclosures required by the Accounts Direction and we have not made any disclosure in our audit report. We do welcome discussion of the latest financial position with the governors at our meeting to ensure they are confident with the academy's financial position going forward.

Other Audit Issues for Discussion – None

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3.3 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 ESFA 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 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:

- Review of the Academy's Systems and Controls and Confirmation of Operation during the Year including Authorisation of Invoices, Payments, Salary Adjustments and Tendering;
- Review of a Sample of Expenses including Nominal Codes considered to include transactions which may be indicative of those with a greater risk;
- Review of Bank Transfers and BACS Payments to confirm all relate to academy expenditure; and
- Discussions with the Finance Team.

We have no specific points to bring to your attention. However, given the change in guidance during the year, we do seek confirmation from the governors that they are satisfied that the current management accounting reporting requirements are being met.

We currently 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.

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4 Taxation

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. Per HMRC, the academy is required to file a tax return for 2018/19.

5 Post Management Accounts Adjustments

The adjustments below 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 were agreed by the governors.*

	Assets Increase / (Decrease) £	Liabilities Increase / (Decrease) £	Resources Increase / (Decrease) £
Net Resources per Trial Balance			(288,256)
Fixed Assets Not Capitalised and Depreciation	11,423		11,423
Reclassification of Bursary Income and Expenditure		10,072	(10,072)
CIF Work Retention Balance Not Accrued		20,442	(20,442)
SEN Funding Due Accrued	6,960		6,960
Agreed Prepayments Not Accurately Processed	4,615		4,615
Minor School Fund Income and Expenditure Difference		(2)	2
Adjustment of LGPS Deficit		971,000	(971,000)
Agreed Audit Adjustments	22,998	1,001,512	(978,514)
Net Movement in Funds per the Accounts			(1,266,770)

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6 Unadjusted Items

During the audit, there were no non-trivial actual errors identified. Errors of less than £4,500 are considered to be trivial.

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.

Our review did not identify any significant systems weaknesses to be brought to your attention. Our work suggests adequate segregation of duties within the finance team and adequate authorisation procedures of payroll and purchases. We would like to note the following points:

- In reference to 3.1 above, we would expect VAT submissions to be made on a timely basis. We consider this to be a medium risk for the current year given the impact on the year-end cash position. A more timely VAT submission would also allow the nominal ledger balance to be fully reconciled to the return. Finally, we did note that VAT of £24.60 was not accurately reclaimed on an invoice for legal fees in the year which can be adjusted on the next return.
- The fixed asset registers include a large number of fully written down items. We would advise a full review of the fixed asset registers to ensure that only assets that continue to be owned are included in the accounts. We consider this to be low risk.

Our comments were noted.

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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 2019. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

- 1 We have fulfilled our responsibilities as governors 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 requested, including minutes of all management and governor meetings and correspondence with the Education and Skills Funding Agency, Department for Education and the Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.

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- 5 The effects of uncorrected misstatements (as set out in the Report to Governors) are immaterial both individually and in total.
- 6 We have reviewed the list of proposed journal adjustments (as set out in the Report to Governors). We agree that these adjustments are required to ensure that the financial statements present a true and fair view and have been allocated in accordance with our accounting policies.

Internal control and fraud

- 7 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.
- 8 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.
- 9 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, analysts, regulators or others.

Assets and liabilities

- 10 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.
- 11 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 12 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

- 13 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

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Loans and arrangements

- 14 The academy has not granted any advances or credits to, or made guarantees on behalf of governors other than those disclosed in the financial statements.

Legal claims

- 15 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.

Law and regulations

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

Related parties

- 17 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 Academies Accounts Direction issued by the Education and Skills Funding Agency.

Subsequent events

- 18 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

- 19 We believe that the academy's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy's ability to continue as a going concern need to be made in the financial statements.

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Grants and donations

- 20 Grants made by the Department of Education and Education and Skills 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.
- 21 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.

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 themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Yours faithfully

.....
Signed on behalf of the board of governors

Date.....

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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 Sir Robert Pattinson Academy and the Education and Skills Funding Agency (ESFA) for the year ended 31 August 2019. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy me that I can make each of the following representations. 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 Sir Robert Pattinson Academy and the Secretary of State for Education and the Academies Financial Handbook 2018.
- 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 ESFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy's funding agreement and have had due regard to the requirements of the Academies Financial Handbook 2018 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 ESFA.
- 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's authorising framework.
- 6 Full and free access has been granted to all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Yours faithfully

.....
Accounting Officer

Date.....