



The Salterns Academy Trust

Audit Findings Report

For the year ended 31 August 2018

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Contents

Section 1: Management letter points arising from audit work.....	2
Section 2: Regularity Assurance Review.....	4
Section 3: Management Letter Points Arising from Our Work on Regularity.....	5
Section 4: Unadjusted Misstatements	7
Section 5: Adjusted Misstatements.....	7
Section 6: Review of Internal Control Recommendations Raised in Prior Year	9
Section 7: Review of Regularity Recommendations Raised in Prior Year	11
Section 8: Going Concern	12
Section 9: Assignment Team Contact Details	13

Audit findings for The Salterns Academy Trust for the year ended 31 August 2018

The Trustees
The Salterns Academy Trust
Admiral Lord Nelson School
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PO3 5XT

Audit findings for The Salterns Academy Trust for the year ended 31 August 2018

Dear Trustees

In accordance with our normal practice we are writing to draw your attention to various matters which arose during the course of our audit of the accounts for the year ended 31 August 2018.

Letters of representation

A draft of our letter of representation, detailing the representations which we have relied upon for our audit, is attached for your consideration.

Internal Controls

The control environment at the trust was good and the key financial controls that we would have expected to see were in place.

Adjusted and unadjusted misstatements

The unadjusted misstatements determined during the course of our audit, (except for those considered to be clearly trivial) are summarised in section 4 of our audit findings report.

A schedule of adjustments that were agreed should be processed when finalising the accounts are summarised in section 5 of our audit findings report.

Audit opinion

There are no expected modifications to the auditors' report on the financial statements or the report on regularity.

Improvements 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 1 of this report contains details of matters identified during the course of our audit and our recommendations for improvements. This may not contain all areas for improvement that are present in your system.

In making our recommendations, we have considered the size of the school and the number of staff you employ. Responses from the school's Business Manager are included in the final column.

Regularity

We have performed a limited assurance scope regularity review. The work performed is summarised in section 2. Matters arising from our report on regularity are set out in section 3 of this report.

Other relevant matters relating to the audit

We have discussed with you the fact that we provide additional 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 provided are of a routine compliance nature and the Accounting officer and Trustees take any decisions where judgement is required.

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.

We would like to take this opportunity of expressing our thanks to all of your staff for their assistance during the course of our audit, in particular Karen, Martine and Elle in the finance department.

Please note that this report has been prepared for The Salterns Academy Trust. It must not be disclosed, quoted or referred to third parties, other than the EFSA, without prior written consent. No responsibility is assumed by us to any other person.

Yours faithfully



HWB

Section 1: Management letter points arising from audit work

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
1	The Trafalgar payroll report for March 18 was not signed and for Oct, Nov, Dec and Feb the reports were undated. The ALNS final payroll for May 18 was not signed.	H	Unauthorised payments could be made. We are unable to ascertain if payroll was approved prior to payment	All payroll reports should be authorised and dated by the Head teacher prior to payments being made.	Agree	Immediate
2	Not all petty cash vouchers were authorised. From our test we found that one ALNS voucher had not been signed for £464.	L	Unauthorised purchases could be made	All petty cash vouchers should be authorised by a line manager	Agree	Immediate
3	The list of pupil balances on the cashless canteen system has not been successfully reconciled to the nominal ledger balance. Difference believed to be <£1k.	L	The cashless canteen system may not be an accurate reflection of balances owed to pupils	The list of balances on the cashless canteen system should be reconciled to the balance on the nominal ledger account.	Finance have spent a significant amount of time trying to reconcile. However there are timing differences between when a receipt is recorded on the bank records / posted to PS Financials and when the Hamilton records are up dated.	Presently unable to reconcile

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
4	Trips run at Trafalgar during activities week made a loss of £2,328	L	Inadequate costing of trips results in a financial loss for the Academy	All trips should be formally costed and run at a break-even price	This is the first year a significant number of trips were run at Trafalgar and staff were unfamiliar with the financial requirements. Finance have developed a proforma costing sheet to be used.	
5	Rates rebate claim from ESFA for 18/19 was submitted 9/8/18.	L	Delay in receipt of rebate	To improve cash flow, the rates rebate claim could be submitted earlier	Agreed	

Section 2: Regularity Assurance Review

In accordance with The Academies Accounts Direction (AAD), we have performed a limited assurance scope regularity review of Academy Trust.

The following work was undertaken:

- ❑ Planning of assurance procedures including identifying key risks;
- ❑ Substantive testing including analytical review;
- ❑ Concluding on procedures carried out.

Substantive testing included the following procedures:

- ❑ Confirming that activities conform to the Trust's framework of authorities;
- ❑ Considering the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance;
- ❑ Evaluating the general control environment of the Trust;
- ❑ Testing a sample of transactions to consider whether the transaction is permissible within the Trust's framework of authorities;
- ❑ Confirming whether any extra-contractual payments have been made and whether appropriate authority was obtained;
- ❑ Reviewing documentation for evidence of borrowing and confirming if approval was obtained from ESFA;
- ❑ Confirming whether ESFA approval was obtained for any disposals of assets;
- ❑ Reviewing the internal control procedures relating to charge cards;
- ❑ Reviewing for any indication of purchases for personal use by staff or officers;
- ❑ Reviewing the list of suppliers to consider whether supplies are from related parties;
- ❑ Considering whether income generating activities are permissible within the Trust's charitable objects;
- ❑ Reviewing whether lettings to related parties are made at favourable rates.

Our work was undertaken in accordance with the guidance in the AAD and the ICAEW's technical release TECH08/12AAF

Section 3: Management Letter Points Arising from Our Work on Regularity

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
1	The Salterns Academy trust website is not up to date for the following: <ul style="list-style-type: none"> - List of members - Trustees pecuniary interests - Attendance records of trustees at board meetings - Financial statements for 31 August 2016 - 	L	An up to date website is a statutory requirement	Website should be brought up to date	The website is currently in the process of being updated	Immediate
2	The resignation of M Stratton on 13 September 2018 was not registered on Companies House or Get Information About Schools.	L	M Stratton still noted as trustee and therefore public information about the academy is out of date	The database should be brought up to date and a policy put in place to ensure all authorities and the academy website are updated at the same time.	Agree	Immediate
3	The academy only has three members of which one is also a trustee.	L	The DFE recommend that academies have five members of which the majority are not also trustees.	We recommend that the academy appoints two further members who are not also trustees.	The intention was to increase the number of members to 5 by Summer 2018.	

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
4	The expenses for S Labeledz (CE) have been authorised by the Head Teacher	M	The DFE recommend that the expenses of the chief executive should be authorised by the Chair of the Trust	We recommend that the expenses of S Labeledz are authorised by the Chair	Chair of Trustees availability is limited	

Section 4: Unadjusted Misstatements

Schedule of unadjusted misstatements above audit triviality of £950

	Description	Nominal	Unadjusted Misstatement			
			SOFA		Balance Sheet	
			Dr	Cr	Dr	Cr
1	Brought forward deferred rates rebate posted to rates expenditure	Rates rebate income	-	10,590	-	-
		Rates expenditure	10,590	-	-	-
2	Miscoding of cleaners pay	Wages and salaries	3,492	-	-	-
		Social security costs	-	3,492	-	-
3	Un-accrued back pay relating to 2017/18	Wages and salaries	2,320	-	-	-
		Social security costs	320	-	-	-
		Accruals	-	-	-	2,640
			16,722	14,082	-	2,640

Section 5: Adjusted Misstatements

Schedule of adjusted misstatements – materiality £95,000

		Restricted/ unrestricted	Restricted fixed asset	LGPS	Total
		£	£	£	£
	Surplus/(deficit) per trial balance	(89,871)	1,937,817	-	1,847,946
1	Portsmouth City Council grant received post year end	-	130,000	-	130,000
2	CIF project contractors works incurred pre year end but invoiced post year end (£827K)	-	-	-	-
	LGPS movement	-	-	420,000	420,000
	Surplus/(deficit) per final accounts	(89,871)	2,067,817	420,000	2,397,946

A pre year end visit was carried out which meant that a number of journals were processed prior to the commencement of the audit.

Section 6: Review of Internal Control Recommendations Raised in Prior Year

Issue	Status
The academy does not keep an asset register that records depreciation and net book value that is reconciled to the nominal ledger. Depreciation is not accounted for in the accounts, this does not comply with the AFH.	Fixed asset register kept on spreadsheet. This was updated for additions and depreciation as part of HWB accounts preparation.
The academy spreadsheet of prepayments did not agree to the nominal ledger and included opening adjustments brought forward from 2015/16.	Adjusted as part of accounts preparation.
Not all the monthly payroll reports have been authorised	Two payroll reports were not authorised in 2017/18 – See Section 1, Point 1.
Not all purchases are placed on an official academy order. We found 2/9 for Trafalgar, 3/15 for ALNS and 0/1 for Trust.	Orders were satisfactorily placed for purchases tested in 2017/18.
VAT claims are not submitted on a timely basis.	Now submitted monthly.
Not all petty cash vouchers are authorised. This applied to 2 of the 5 we tested.	From the sample tested in 2017/18 one petty cash voucher was not authorised – See Section 1, Point 2.
Accrued income for pupil premium had been incorrectly calculated for both Trafalgar and ALNS.	Adjusted as part of accounts preparation.
Accruals included opening balances brought forward from 2015/16.	Adjusted as part of accounts preparation.
Lettings invoices for August 17 were raised and posted into 2017/18 income.	Sales cut off correct in 2017/18.

Issue	Status
List of pupil balances on the cashless canteen system has not been successfully reconciled to the nominal ledger balance and a difference existed of approx. £1,000.	See Section 1, Point 3.
Three quotes were not obtained for the purchase of extraction machinery from RS design for £8,321	Three quotes were found for sample of procurements tested
The four bank accounts are held in different names rather than all being 'Salterns Academies Trust' which is the legal entity.	Now corrected.
The minibus operating licence was not available for inspection.	Now seen.
Pension opt out forms were not easily available to check employee deductions.	Now filed on personal files if available.

Section 7: Review of Regularity Recommendations Raised in Prior Year

Issue	Status
The Salterns Academy trust website is not up to date for members, trustees and their pecuniary interests.	Website includes list of trustees, type of appointment and date of appointment. No pecuniary interests listed or information of members. See section 3, Point 1.
At the time of testing, Salterns Academy trust has two members.	Now has three, aim is five
The appointment of M Mitchell and C Copeland as trustees were not registered on Edubase/"Get information about schools" at the time of testing.	Corrected in year

Section 8: Going Concern

Trustees' assessment

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Trust has sufficient resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

The Trustees have confirmed that in their opinion the ESFA will continue to provide funding to enable the Trafalgar School to continue in operation for the foreseeable future.

Work performed by HWB

- ❑ Review latest budgets to ascertain whether going concern has been correctly addressed.
- ❑ Enquire into whether there have been any material new commitments, borrowings or guarantees post year end.
- ❑ Enquire into whether there have been disposals or acquisition of material assets or any appropriation or destruction of assets.

Section 9: Assignment Team Contact Details



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