



Acorn Academy Cornwall

Key Issues Discussion Document

Year ended 31 August 2016

The Board of Trustees
Acorn Academy Cornwall
Unit 4 East Pool
Tolvaddon Energy Park
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Camborne
TR14 0HX

Ref: PT/NH/KM/AC2099

Date: 23 November 2016

Dear Sirs

**Acorn Academy Cornwall
Key Issues Discussion Document for the year ended 31 August 2016**

This Key Issues Discussion Document (KIDD) has been prepared in order to record the key matters arising from the audit of the financial statements for the year ended 31 August 2016. We have discussed our report with Gaynor Boyden and Rob Gasson to confirm its factual accuracy, although the views expressed are those of Bishop Fleming. The purpose of this document is further detailed in section1.

We would like to take this opportunity to thank Gaynor and the finance team for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully



BISHOP FLEMING LLP



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1. Introduction

Purpose of document

This document has been prepared for the benefit of discussion between Bishop Fleming and Acorn Academy Cornwall.

The purpose of this document is to highlight the key issues affecting the audit of the Trust and the preparation of the Trust's financial statements for the year ended 31 August 2016.

The document is also used to report to management to meet the mandatory requirements as set out in International Standard on Auditing (UK & Ireland) (ISAUK) 260.

Responsibilities of the Trustees

The Trustees are responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that the Trustees confirm that our understanding of all matters referred to in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Trust.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

Confidentiality

This document is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Trust arising under our audit engagement letter. The contents of this document should not be disclosed to third parties without our prior written consent.

Status of audit

Our audit work was carried out in accordance with our audit plan in response to the perceived audit risks. No matters were identified which required us to change our approach and no additional risks were identified.

Our audit work is substantially complete.



1. Introduction (continued)

Materiality

In carrying out our audit work we considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements. The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the amount and the nature of the misstatement. Thus different materiality levels may be appropriate when considering different aspects of the financial statements.

Adjusted items

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant. Within our letter of representation, we request you confirm the adjustments incorporated into the financial statements.

Unadjusted items

In total the unadjusted items arising are not deemed material to the financial statements. Within our letter of representation, we request you confirm that the effects of not recording such misstatements identified in the financial statements are, both individually and in the aggregate, immaterial to the financial statements of the Trust as a whole.

Anticipated audit report

We anticipate issuing an unmodified audit report on the financial statements of the Trust for the year ended 31 August 2016 subject to receiving all outstanding information set out previously. We also anticipate issuing an unmodified regularity accountant's report.

Independence confirmation

APB Ethical Standard 1 "Integrity, Objectivity and Independence" and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Audit risks

Regularity Risks

We consider the following areas to be key regularity risks for Academy Trusts:

- Government grants
- Related / connected party transactions
- Unauthorised borrowings and leases

We have assessed the risk of a regularity issue during the year for Acorn Academy Cornwall as Low as there have been no significant changes within the Trust.

Work completed and conclusion

We have carried out our standard audit procedures, including a review of purchases, credit card expenditure, Senior Management Team expenditure and gifts and hospitality together with a review of related parties and their transactions. We have also reviewed the requirement to disclose government grant spend on schools' websites and reviewed leases entered into in the year.

Our work has not identified any regularity issues that require a qualification in our regularity report.

Generic Audit Risks

The following risks are considered to be generic for all academies:

- Auditing standards require us to include income recognition as a significant risk;
- Auditing standards require us to include management override as a significant risk.
- Correct allocation of income and expenditure to the various funds;
- The accuracy of staff costs due to these costs representing a significant value in the financial statements.
- Unauthorised activities or expenditure being incurred;

Work completed and conclusion

We have carried out our standard audit procedures in relation to these risks including agreeing income to remittance advices, reviewing post year end income received to ensure cut-off has been correctly applied, performed a detailed review of journals and related party transactions including Trustee searches.

We have also carried out walkthrough testing of income, expenditure and wages with substantive procedures being completed in significant areas. In addition to this we have verified a sample of staff costs to payroll records together with reviewing capital projects including identifying if funds have been spent by the deadlines.

No material errors were found and any control issues have been documented in section 4.



2. Audit risks

Trust Specific Risks

The following risks are considered to be specific to the Trust:

- Identification and treatment of transactions between schools in the Trust.
- Treatment of capital projects spanning the year end including the allocation of capital spend to the appropriate fund and ensuring funds spent by the deadlines.
- GAG deficits / schools with deficit reserves.

Work completed and conclusion

We have carried out a number of procedures in relation to these risks, no material errors were found and any control issues have been documented in section 4.



3. Current year management letter points and internal control systems

The Trust's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Board that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit.

Other than the issues listed below, no significant matters have come to our attention as a result of the audit procedures performed, although this is not confirmation that no such matters exist.

We would be pleased to discuss further work in this regard with the Board.

KEY:

-  Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.
-  Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.
-  Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.
-  Observations refer to issues that have been corrected.

3. Current year management letter points and internal control systems

<p>There have been no issues identified from our audit work to be brought to the board's attention.</p>	
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4. Prior year audit management letter points and internal control systems

1. Fixed Asset Additions

It was noted that when some fixed assets were journalled to balance sheet code from revenue expense code, the credit entry was not always made to the expense code the cost of the asset was originally posted to.

Recommendation

We recommend that the credit entries are posted to the nominal code the cost of the asset sits so as to net the entries when transferring the asset to the balance sheet.

Follow up

No such issues have been noted during this year's audit work.

2. Aged Debtors

It was noted that the aged debtors report as at 31 August 2015 included a number of credit balances and that it had a significant balance of debtors due over 3 months (£72k).

Recommendation

We recommend that the aged debtors report is reviewed regularly and balances cleared as necessary.

Follow up

It has been noted this year that the aged debtors balance has reduced significantly, it is clear that procedures for chasing outstanding balances are being actioned.

4. Prior year audit management letter points and internal control systems (continued)

3. SchoolPod

SchoolPod does not provide any information on the pupils referring school, therefore it is a time consuming process to find the invoices relating to a specific pupil as a search through all the customer accounts is needed in order to identify a specific invoice/pupil.

Recommendation

We recommend the SchoolPod software providers are consulted if the referring school can be incorporated in to the SchoolPod database, or coming up with another way so that invoices can be checked against SchoolPod data more efficiently.

Follow up

New procedures are now in place since last year's audit, all invoices are processed centrally and a spreadsheet is being maintained to record invoices raised.

4. Credit Card Entries

It was noted that credit card transactions are posted to PSF by using the statement date rather than actual transaction date.

Recommendation

We recommend that when posting credit card expenses, the transaction date is used rather than the statement date to ensure expenditure is recorded in the correct period.

Follow up

It has been noted that the credit card transactions are now being posted to the system with the transaction date rather than the statement date.

4. Prior year audit management letter points and internal control systems (continued)

5. Aged Creditors

It was noted that the aged creditors report as at 31 August 2015 included a number of debit balances.

Recommendation

We recommend that the aged creditors report is reviewed and debit balances cleared as necessary.

Follow up

It was again noted that the aged creditor report includes some debit balances, it remains a recommendation that these are reviewed and cleared as necessary.