

Our Ref: PLAC2099/PT/NH/LD  
Your Ref:  
Date: 23 November 2015

## **PRIVATE & CONFIDENTIAL**

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

Dear Sirs

### **2015 Audit and Regularity Assurance Engagement of Acorn Academy Cornwall**

#### **Introduction**

In order to carry out our duties and responsibilities as auditors, we are required by International Standard on Auditing (UK and Ireland) 260 "*Communication with those charged with governance*" ("ISA 260"), to communicate matters arising from the audit of the above named Academy Trust to you.

Our fieldwork is complete and we propose to issue an unmodified audit report for the year.

#### **Our Approach to the Audit**

Our work was planned to provide a focused and robust audit, so as to:

- Provide an independent opinion as to whether the financial statements give a true and fair view; and;
- State whether the financial statements have been properly prepared in accordance with the Companies Act 2006 and Academies Accounts Direction 2014 to 2015 (AAD).

Our work was also planned to provide a "limited assurance" report on regularity in accordance with the AAD.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs.

When planning our audit work, we sought to minimise the risk of material misstatements occurring in the financial statements. To do this, we considered both the risk inherent in the financial statements themselves and the control environment in which your Academy Trust operates. We then used this assessment to develop an effective approach to the audit.

Based on our knowledge of the Academy Trust, we assessed the risks to the Academy Trust and planned our audit with regard to these risks. Our auditing standards require us to include the following as significant risks:

- Management override; and;
- Revenue recognition.



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## **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.

The matters dealt with in this letter came to our attention during the conduct of our normal audit and assurance procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the above Academy Trust and providing a limited assurance conclusion on regularity.

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

We would be pleased to discuss any further work in this regard with trustees and/or management.

## **Qualitative Aspects of Accounting Practices, Regularity and Financial Reporting**

The following key audit and accounting issues were discussed and agreed at our closing audit meeting with Gaynor Boyden and Rob Gasson on 17 November 2015.

- Accounts presentation
- Trustees' report

## **Audit 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 the 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.

The assessment of whether a misstatement is material in the context of the regularity assurance report has been evaluated in the same way as the "true and fair" audit of the financial statements, as noted above.

## **Unadjusted items**

We do not deem the total of the unadjusted items to be 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 Academy Trust as a whole.

## **Audit adjustments**

During the course of our audit, we have identified adjustments which have been processed in the financial statements, on the agreement of management. These are attached to the letter of representation.

## **Internal financial controls**

Our review of the Academy Trust's system of internal control is carried out to assist us in expressing an opinion on the financial statements of the Academy Trust as a whole. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist. Accordingly, we refer only to significant matters which have come to our attention during the course of our normal audit work and do not attempt to indicate all possible improvements which a special review might reveal.

Accompanying this letter is a memorandum noting our significant control observations together with any recommendations we have for possible improvements which could be made. See Appendix I.



### **Regularity assurance engagement findings**

We conducted our regularity assurance engagement in accordance with the AAD. 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 may 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.

We propose to issue an unmodified regularity assurance report for the year.

### **Your comments**

We would be grateful if you could enter your comments against each point under the "management response" column of Appendix 1 and return it to us in due course. This letter will be submitted to the EFA with the Financial Statements.

This letter has been prepared for the sole use of the Board of Trustees, Governors, management and others of the Academy 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. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this report.

Finally we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our audit, please do not hesitate to call us.

Yours sincerely

**BISHOP FLEMING LLP**

## APPENDIX I - 2015 Recommendation

Description & Impact	Recommendation	Management Response	Category
<b>Accounting matters</b>			
<b>Fixed assets additions</b>			
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.	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.	New Codes have been created and will be used going forward.	
<b>Aged Debtors</b>			
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).	We recommend that the aged debtors report is reviewed regularly and balances cleared as necessary.	This process is already in place and historic balances will be actioned as appropriate.	
<b>SchoolPod</b>			
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.	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.	A new process has been put in place with effect from the new financial year which will result all invoices being imputed centrally and a excel spreadsheet maintained so as to keep track of the invoices raised.	
<b>Credit Card entries</b>			
It was noted that credit card transactions are posted to PSF by using the statement date rather than actual transaction date.	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.	Agreed.	
<b>Aged Creditors</b>			
It was noted that the aged creditors report as at 31 August 2015 included a number of debit balances.	We recommend that the aged creditors report is reviewed and debit balances cleared as necessary.	This is currently done monthly.	

## APPENDIX II – Follow up on Prior Year Recommendations

### Control Observations and Recommendations

Description, Impact, & Recommendation	2014 Management Response	Follow up	Category
<b>Governance matters</b>			
<i>Audit &amp; Finance Committee Meetings</i> We note that only two meetings have taken place during the year September 2013 to August 2014; and that the finance committee is made up of a Director, the Principal and SBM.  <i>We recommend that the finance committee aims to meet at least once a term to ensure a more robust monitoring financial framework.</i>  <i>We also recommend that additional Directors are invited to join the committee to ensure appropriate oversight of financial transactions</i>	Finance Meeting will be held after each Board Meeting	Finance Meeting held more frequently during 2014/15.  <b>RESOLVED</b>	
<b>Accounting matters</b>			
<i>Finance Manual</i> Whilst there is a Purchase Order Process Flow Chart in place, the overall finance manual (detailing all procedures) was in draft 12 months ago and is still incomplete.  Please ensure this is addressed ASAP as there is continued reliance on the School Business Manager, and puts system at risk should he be absent or leave his role.	This is in progress and will be finalised by end of March 2015	Detailed written financial procedures are now in place.	
<i>Funding agreements with referring schools</i> It was noted during the audit that there were disputes with mainstream schools other the AWPU recharges due to a change in their formula, and there was no obligation for them to pay Acorn Academy Cornwall the amounts invoiced as there were no funding agreements in place for some pupils.	Agreed – all secretaries will be tasked with chasing funding agreements	This is being implemented. It was noted that within trade debts as at 31.8.15 was a potential bad debt of £18,343 relating to amounts which may not be recovered from schools. We recommend that funding agreements are introduced as soon as possible so as to avoid any financial loss to the MAT.	

Description, Impact, & Recommendation	2014 Management Response	Follow up	Category
<p><i>ACMF Monitoring forms</i> It was noted that these were not submitted to the EFA amid confusion over anticipated completion date. Please contact the EFA regarding the matter and what the next course of action is.</p>	<p>Agreed – actioned and completion certificate submitted</p>	<p><b>RESOLVED</b></p>	
<p><i>Purchase authorisation</i> The current accounting software package is not configured to require purchase invoices to be authorised prior to payment. The system relies on the matching of purchase invoices to authorised purchase orders, for which the amounts do not always agree. This could lead to payments that are not <i>bona fide</i>.</p> <p>In addition, the system can be overridden by entering non-order purchase invoices. These transaction types bypass the Purchase Order Process, and is not subject to any of the authorisation limits. This could adversely impact budget monitoring procedures, as well as makings payments that are not <i>bona fide</i>.</p>	<p><i>To be investigated</i></p>	<p>This was examined as part of the purchase walkthrough testing this year, and invoices chosen agreed to the authorised purchase orders, with no issues found.</p> <p><b>RESOLVED</b></p>	

-  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
-  Observation has been resolved