External Audit Completion Report
The Collegiate Academy Trust
Year ended 31 August 2015

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1 Introduction

The purpose of this document

We are pleased to present a summary of our audit findings for the year ended 31 August 2015.

Our audit work is now substantially complete and we take this opportunity to draw your attention to those matters we have noted during the course of the audit.

As auditors, we are also required under the International Standard on Auditing 260 (ISA 260) to communicate certain matters arising from the audit of the financial statements to those charged with governance.

Audit approach

We performed our audit work using the audit approach we communicated to you in our audit planning letter.

Our audit work is designed to consider whether the financial statements of the Academy give a true and fair view of the state of affairs of the Academy and of its results for the year under review taking into account the requirements of:

- UK Accounting Standards (UK Generally Accepted Accounting Practice);
- Companies Act 2006 (Company Limited by Guarantee)
- Charities Act 2011 (exempt Charity) and Charities SORP 2005 (updated 2008)
- Academies Accounts Direction issued by the Education Funding Agency ("EFA")
- Academies Financial handbook issued by the EFA

Audit opinion on regularity

In addition to our report expressing an opinion on the financial statements, we also produce a report providing a conclusion on "regularity". Our limited assurance regularity report must state whether anything has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period of account has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Acknowledgments

We would like to thank the Academy's finance team, especially Jane Kellas , for their help and co-operation during our audit fieldwork.

Audit status

Our audit work is complete.

2 Key reporting matters

Audit conclusion

In our opinion the financial statements give a true and fair view and comply with the Academies Accounts Direction issued by the Education Funding Agency ("EFA"), and UK Generally Accepted Accounting Practice.

We are pleased to report that our audit report, which is included in the financial statements, is unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the academy's ability to continue as a going concern. We are therefore satisfied with the disclosure in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the letter of representation, within the letter, you have confirmed that there are no subsequent events that require amendment to the financial statements.

Regularity audit conclusion

Based upon our work carried out to date we anticipate issuing an unmodified regularity audit opinion.

Significant audit risks

At the planning stage we issued our audit planning letter which highlighted three significant audit risks we had identified and the work we planned to perform to address them. We carried out these procedures during our audit and have summarised our findings and conclusions in section 3.

Identified misstatements

Uncorrected misstatements would increase the surplus and net assets by a further £0k. The adjustments are detailed in Appendix 1 to this report. The schedule does not include matters we believe to be clearly trivial.

Significant difficulties

We are required to communicate to you if we encounter significant difficulties while performing our work.

We have not experienced any significant difficulties during our audit and we have not identified any significant matters which we consider should be reported to you.

Internal controls

During the course of our audit we have identified a number of small control deficiencies which were highlighted to you during our interim audit. These have been summarised for you in section 5.

The purpose of our audit is to express an opinion on the financial statements and not to express an opinion of the effectiveness of the internal control environment. Had our work been focused on assessing the internal control environment further deficiencies may have been identified. The deficiencies we have identified and reported to you should not therefore be regarded as a complete list of all deficiencies which may exist.

Required communications

Auditing standards require us to communicate further matters to you by exception and to evaluate the adequacy of the communication process between us.

We confirm that there are no further matters to be communicated and that we are satisfied with the adequacy and effectiveness of the communication between us.

Readiness for audit

The Academy's finance team were prepared for our audit as we would have expected.

Response to queries and information requests throughout fieldwork

All staff worked hard to assist us during the audit and were quick in responding to our queries.

Availability of staff

All staff were made available to us when we needed to speak to them.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used	We have reviewed the significant accounting policies which are disclosed in the financial statements and consider these to be appropriate, and consistent with both last year and the Accounts Direction 2014/2015.
The timing of the transactions and the period in which they are recorded	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised. Specifically we confirm that we have assessed the timing of recognition of grants, and agree with the treatment adopted.
The appropriateness of the accounting estimates and judgements used	The main estimates requiring the judgement of Trustees are linked to fixed assets and pension scheme valuations. No issues have been identified. No other significant accounting estimates or judgements were required in the preparation of the financial statements.
The potential effect on the financial statements, of any uncertainties, including significant risks and disclosures such as pending litigation that are required to be disclosed in the financial statements	There are no uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements	From the audit testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the Governors' report or material inconsistencies with the financial statements	There has been no misstatement or material inconsistency with the financial statements included in the Governors' report.
Any significant financial statement disclosures to bring to your attention	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered during the audit	There were no significant difficulties encountered during the audit.

3 Significant risks and audit approach

Significant audit risk	Our response to the audit risk	Conclusion
Revenue Recognition This is considered to be a fraud risk area under International Standards of Auditing (UK and Ireland). We consider that the specific revenue risk relates to rights and obligations of your EFA funding and cut off.	We reviewed EFA grants received in the period and considered whether grants are recorded in line with the terms and conditions set. This included the assessment of claw back of grants received and the treatment of any accrued or deferred elements. We reviewed all sources of income and controls pertaining to these sources of income to determine whether there was a risk of a material misstatement.	Our audit work in this area has been successfully completed. We have obtained the audit evidence we require to conclude that revenue recognition is not materially misstated and there are no significant matters which need to be reported to you.
Defined Benefit Pension Scheme Accounting for defined benefit pension schemes is complicated and requires assumptions to be made of future changes in scheme membership, life expectancy and other factors. For this reason the accounting entries required under Financial Reporting Standard 17 are calculated by the scheme actuary.	We reviewed the assumptions made in arriving at the actuarial valuation and assessed them against our technical accounting team's accepted range of pension scheme assumptions. These have been identified from assessing a large number of defined benefit schemes and other statistical data. We also ensured the accounting entries have been correctly accounted for and presented in the accounts.	The assumptions made were within our technical teams accepted range of pension scheme assumptions. The accounting entries have been correctly accounted for in accordance with FRS 17.
Risk of management override The International Standards on auditing (ISAs) presume that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records by overriding internal controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, there is an inherent risk of financial misreporting due to fraud which represents a significant risk on all audits.	We updated our understanding of the Academy's internal control procedures including those which are in place to address the risk of fraud or error occurring. Our testing strategy included general ledger journal testing coupled with consideration and review of: • key accounting policies: • material accounting estimates; • use of management judgement; and • any unusual or individually significant business transactions	There is no indication that the financial statements are misstated as a result of management override.

We did not identify any additional significant risks during the course of performing our audit.

4 Risk of fraud and independence

Fraud

International Standard on Auditing (UK & Ireland) 240 "The Auditor's responsibilities relating to fraud in an audit of financial statements" sets out our responsibilities as auditors for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

Our key objectives in connection with this responsibility are:

- To identify and assess the risks of material misstatement of the financial statements due to fraud;
- To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- To respond appropriately to fraud or suspected fraud identified during the audit.

However, the primary responsibility for the prevention and detection of fraud rests with management and the board. It is important that management place a strong emphasis on fraud prevention by putting in place a structure which deters individuals from committing fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour. The board also have a responsibility to consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage results.

Independence

In relation to the audit of the financial statements of The Collegiate Academy Trust for the year ended 31 August 2015, we confirm that there were no relationships between Moore Stephens and the Academy, the governors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff.

We also confirm that we have complied with the requirements of auditing standards (ISAs UK & Ireland) and UK Ethical Standards in relation to independence and objectivity.

5 Recommendations

During the course of our audit of the financial statements for the year ended 31 August 2015, we examined the principal internal controls which the governors of the Academy have established to enable them to ensure, as far as possible, the accuracy and reliability of the Academy's accounting records and to safeguard the Academy's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Management have responded to the recommendation noting the person responsible for action and an agreed timescale for implementation.

We have also discussed a number of minor disclosure matters arising with Management as part of the audit debrief.
The significant material recommendations noted from our audit work are detailed in the action plan below.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition
1	major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
2	important issues to be addressed by management in their areas of responsibility
3	problems of a more minor nature which provide scope for improvement.

Action plan

1	**Purchase orders**
Observation	During the audit it was brought to our attention that a purchase order was not always raised in advance of the expenditure.
Risk	That there is the possibility for fraud to be committed and that purchases are made which do not reflect value for money.
Grade	3
Recommendation	That a policy be adopted whereby purchases cannot be made without authorisation given which is dependent upon evidence that the correct ordering process has been followed.
Management response	Currently we ask all Budget Holders to sign off the invoice on receipt if an order has not been placed. We will continue with this process. However we will remind all budget holders of the importance of placing orders and complete refresher training again in the following 2 terms
Responsible Officer	Jane Kellas
Timeline for completion:	Immediate

	Employment contracts
Observation	During the audit it was brought to our attention that employment contracts were not available for all staff.
Risk	That there is the possibility that information held about staff, may not be up to date.
Grade	3
Recommendation	Staff contracts to be updated where an employment contract cannot be located easily.
Management response	We currently have a programme in place to ensure employment contracts are current and updated for all staff
Responsible Officer	Jane Kellas
Timeline for completion:	Immediate

Appendix 1 – Summary of unadjusted mistatements

Under the requirements of ISA 260 *Communication of audit matters* we are required to communicate all unadjusted audit differences, other than those which are clearly trivial, to the Audit Committee.

Based on your income and expenditure account, our performance materiality was £74,900.

This section contains details of unadjusted misstatements, which we have found during the course of our audit work and are obliged to bring to your attention.

Identified unadjusted misstatements are detailed below:

Unadjusted misstatements

No	Description	Income & Expenditure		Balance sheet		Surplus Impact
		Dr £000	Cr £000	Dr £000	Cr £000	£000
1	Fixed Asset Depreciation			6		
	Depreciation on disposal				6	
	Being the additional depreciation charged to ensure funding correct in accounts					
2	Trade debtors			9		
	Trade creditors				9	
	Being the purchase ledger debit balances					
Impact on I&E Surplus						**0**

Appendix 2 – Summary of accounting adjustments

This section contains details of accounting adjustments made, which we assisted The Collegiate Academy Trust to process and are obliged to bring to your attention.

Identified accounting adjustments are detailed below:

Accounting adjustments

No	Description	Income & Expenditure		Balance sheet		Surplus Impact
		Dr £000	Cr £000	Dr £000	Cr £000	£000
1	Depreciation brought forward			1,113		
	Revaluation (SOFA)		1,113			1,113
Being removal of brought forward depreciation following revaluation						
2	Pension liability				490	
	Pension cost	103				(103)
	Actuarial gain	387				(387)
Being FRS17 movement						
3	Accumulated depreciation				1	
	Opening reserves			1		
Being opening balance correction						
Impact on I&E Surplus						**619**