



williams giles
Chartered Accountants

The Pathway Academy Trust

Final Audit Findings

For the year ended 31 August 2019



Index

		Page no
1	<u>Introduction</u>	3
2	<u>Audit approach</u>	4
3	<u>Summary of significant audit findings</u>	5 - 10
4	<u>Summary of audit differences and draft letter of representation</u>	10
5	<u>Anticipated Audit Report</u>	10
6	<u>Regulatory assurance engagement findings</u>	11

1. Introduction

During the course of our audit and regularity assurance engagements for the year ended 31 August 2019 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit and assurance tests which are designed to assist us in forming our opinion on the financial statements and providing a limited assurance conclusion on regularity. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit and assurance tests, we would, of course, inform you immediately.

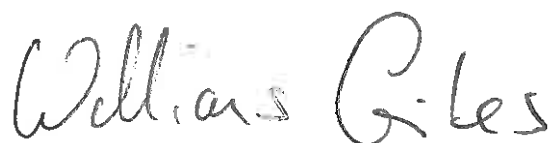
We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our Audit Planning Memorandum, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the trustees of The Pathway Academy Trust. We understand that you are required to provide a copy of this report to the Education & Skills Funding Agency who may share this information internally within the Department for Education for decision making purposes. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Williams Giles Professional Services Ltd towards any party acting or refraining from action as a result of this report.

We would be grateful if you could enter the academy trust's comments against each point under the "management response" column of the memorandum and return it to us in due course.

Finally, we would like to express our thanks to all members of the academy's staff who assisted us in carrying out our work.

Yours faithfully



Williams Giles Professional Services Ltd
Statutory Auditor
Chartered Accountants
November 2019

2. 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 company operates.

To summarise our approach, we:

- updated our understanding of the entity 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 in our Audit Planning Memorandum.

3. Summary of significant audit findings

Significant risk area identified at planning	Findings, significance and recommendations	Management response / timetable for action
Related Parties	No significant issues identified	N/A
Revenue Recognition	No significant issues identified	N/A
Accounting estimates	No significant issues identified	N/A
Staff costs	<p>GREEN – At WRP one of the new starters did not have a contract on their file at year end. The staff member started employment in June 2019.</p> <p>We recommend that a copy of the contract is placed on file even if it is not signed, and then replaced with a signed copy as soon as possible.</p>	<p>The SBM at WRP has taken this recommendation on board. New legislation is being introduced on 1 April 2020 stating that employees must be provided with their contract by no later than their first day of employment therefore this issue should not happen again.</p>
Accounting for cash receipts and cash payments	<p>GREEN – During our testing it was identified that a block of seven months of choir rent income was posted in one lump at MCA rather than being posted monthly. This will have implications for the accuracy of monthly management accounts. From discussions on site, it was noted that this has been rectified and is now being posted monthly.</p> <p>We recommend income is posted to the nominal ledger on a monthly basis going forwards.</p> <p>AMBER – During our testing a payment was identified to Children in Need at CGPS. The payment was posted on FMS as a bank receipt and a bank payment, however the transaction which took place was to deposit the cash directly with the post office to the charity. No evidence was</p>	<p>The finance team at MCA were very inexperienced at year end this year and there was also a significant backlog due to several staffing changes in a short space of time. This has now been rectified and the central team are continuing to support their development.</p> <p>Further guidance will be provided to schools regarding the treatment of charity fundraising. The income was paid in directly to Children in Need using their own bank credit slip therefore no payment from the school was required.</p>

	<p>able to be provided of the payment being made to Children in Need.</p> <p>We recommend that the cash should be deposited into the school's own bank account and then a payment created to Children in Need and confirmation of the payment kept and filed.</p>	<p>The auditors recommendation that income is banked into the school's account and a payment raised to the charity will be adopted across the Trust.</p>
Accounting for accrued expenditure	No significant issues identified	N/A
Regularity Assurance	<p>GREEN – At WRP a total of £1,764.49 was spent on mobile phone charges for the year. This amount appears to be an excessive spend on mobile phone costs for a single school.</p> <p>We recommend a review is undertaken of mobile phone expenditure and costs cut where possible.</p>	<p>The TBM has discussed this finding with the school's HT & SBM. They are in the process of changing provider and accept that the costs are high. They will streamline the number of phones and level of contract provided to school staff.</p>

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
Fixed Assets	<p>AMBER – According to the title deed filed with HM Land Registry (HMLR), the leasehold on the land and buildings at the MCA site remains in the name of MCA rather than in the name of TPAT.</p> <p>We recommend that the title deed is updated with HMLR to ensure that the leasehold is correctly recorded as being held by the trust.</p> <p>AMBER – The fixed asset registers currently being maintained by the schools do not agree to the accounts. This makes it very difficult to track disposals of fixed assets. It is acknowledged that there is an</p>	<p>The legal transfer of MCAT into TPAT was managed by the Trust's solicitors and a Deed of Novation completed.</p> <p>The TBM will follow up this finding with the solicitor.</p> <p>The central team have been maintaining the school's fixed asset registers however there was some confusion with last year's figures that needs addressing. The TBM has asked for support with this</p>

	<p>intention to amend this going forward.</p> <p>We recommend that fixed asset registers are implemented to ensure that disposals of fixed assets are not missed.</p> <p>AMBER – It was noted that no fixed assets have been posted into FMS in the year which means that the balance sheet position is not accurately reflected by the accounting system.</p> <p>We note that the Trust intends to bring Fixed Assets into the FMS system once the 2019 year end is closed.</p>	<p>from WG.</p> <p>The central team will maintain the school's fixed asset registers and the school's will maintain their inventories.</p> <p>The TBM has arranged to bring the Fixed Assets into FMS as at 1 September 2019.</p>
<p>General</p>	<p>Green – It was noted that adjustments had been posted to the finance system after a trial balance had been handed to the auditors. Meaning that differences were noted between the general ledger and draft accounts at audit.</p> <p>We recommend that going forward this does not occur and that all adjustments are posted prior to the handing over of the final figures.</p>	<p>The finance team at MCA were very inexperienced at year end this year therefore material invoices were missed at closedown and came to light after the trial balance had been submitted.</p> <p>The TBM has agreed with WG that the audit visits will be delayed by one week in future in order for all invoices to be processed before producing the TB.</p>

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified and significance	Potential implications and recommendations	Management response / timetable for action
Credit Card Payments	<p>AMBER – It was noted that MCA used a credit card during the year which is held with HSBC. At the time of our interim audit visit, no credit card statements were available to review for this credit card.</p> <p>We recommend that all credit card statements are retained and stored in a file to support all purchases made.</p>	<p>There were some issues with the reconciliation of the old bank account due to sudden staff changes and the lack of a handover. The Trust’s central team supported with this but were unable to provide assurance in time for the interim audit. All HSBC credit card transactions have now been reconciled and statements are available for review. The account has now been closed.</p>
Purchase Orders	<p>GREEN - We noted that not all purchases tested had purchase orders associated with them.</p> <p>We recommended that purchase orders are used in accordance with the finance policy.</p>	<p>WG will provide a report of transactions with missing purchase orders and this will be reviewed by the central team. Consideration may be given to streamlining the purchase order requirements for low risk transactions in order to reduce workload and improve compliance with the Trust’s policy.</p>

Status of findings / recommendations from previous years

Audit issues communicated in last year’s audit findings report and our proposed approach to each of these areas, in light of developments in the year are outlined below:

Findings / recommendations	Status in current in year	Management response / timetable for action
<p>Fixed Asset Registers AMBER During the year it was noted that the fixed asset registers maintained by the client either did not match the valuation in the financial statements or was not updated during the period. It is acknowledged that there is an intention to amend this going forward.</p> <p>We would recommend that a fixed asset register is kept for each school that runs in line with the financial statements and that all necessary adjustments are posted to the finance system to account for any additions or disposals.</p>	<p>Remains an issue – noted above.</p>	<p>Support was sought from WG in year to resolve this issue. It was recommended that the TBM wait until year end to obtain an accurate value of the fixed assets of the Trust before entering them onto FMS.</p> <p>The school’s FMS systems have been adapted to allow the entry of the fixed assets. This will be completed and maintained by the Trust central team.</p>

<p>Adjustments post audit commencement GREEN It was noted that adjustments had been posted to the finance system after a trial balance had been handed to the auditors. Meaning that differences were noted between the general ledger and draft accounts at audit.</p> <p>We recommend that going forward this does not occur and that all adjustments are posted prior to the handing over of the final figures.</p>	<p>Remains an issue – noted above.</p>	<p>This was the first closedown for MCA with an experienced finance team. All of the Trust’s remaining school’s complied with this requirement this year.</p> <p>The TBM has agreed with WG that the audit visits will be delayed by one week in future in order for all invoices to be processed before producing the TB.</p>
<p>Credit card authorisations GREEN It was noted that during the year the Head teacher at Riverview Juniors had raised an unofficial purchase order for a trip paid through the credit card. It is noted that this was an isolated incident.</p> <p>We recommend that the credit card system is observed by all members of staff.</p>	<p>Not an issue in year.</p>	<p>N/A</p>

4. Summary of audit differences and draft letter of representation

Please see Appendix 2 for schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm that you are satisfied that none of these need to be adjusted for in the financial statements

We have separately sent a draft letter of management representations required in connection with our audit.

5. Anticipated Audit Report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

6. Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The ESFA has no right by virtue of the regularity engagement to place reliance on our work and the opinion we form in respect of our statutory financial statements audit of the academy trust.

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:

- An assessment of the risk of material misstatement and irregularity
- Testing and review of areas identified through risk assessment including enquiry, inspection and review, observation and re-performance
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime
- Consideration of evidence obtained through the work performed as part of our audit in order to support the regularity conclusion

We 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.

Regularity issues brought to your attention in connection with the regularity assurance engagement are as follows:

Findings and significance	Potential implications / financial impact and recommendations	Management response / timetable for action
<p>A total of £1,764.49 was spent on mobile phone charges at WRP during the year.</p> <p>This appears to be an excessive amount of money for mobile phone charges within a primary school for a year and does not represent value for money.</p>	<p>GREEN</p> <p>The expenditure on mobile phone charges may not represent value for money within the school in question.</p> <p>We recommend that the charges are investigated and costs cut where possible.</p>	<p>The TBM has discussed this finding with the school's HT & SBM. They are in the process of changing provider and accept that the costs are high. They will streamline the number of phones and level of contract provided to school staff.</p>