



williams giles
Chartered Accountants
A Xeinadin Company

The Pathway Academy Trust

Final Audit Findings

For the year ended 31 August 2020

Office & Registered Office:

12 Conqueror Court, Sittingbourne, Kent. ME10 5BH

Williams Giles is the trading name of Williams Giles Professional Services Ltd a company registered in England and Wales Co. No. 11411023.

A list of company directors can be found at the above address.

Registered Auditors
Business & Tax Advisors

Tel: 01795 478044
Fax: 01795 427757

Web: www.williamsgiles.co.uk
Email: admin@williamsgiles.co.uk

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>	11
5	<u>Anticipated Audit Report</u>	11
6	<u>Regulatory assurance engagement findings</u>	12

1. Introduction

During the course of our audit and regularity assurance engagements for the year ended 31 August 2020 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
January 2021

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.	
Revenue Recognition	<p>Green – It was found that some LA income had been posted to the Other ESFA income code. This was identified in WRP in relation to pupil premium income.</p> <p>We recommend that the income is split into the correct codes.</p> <p>Green – It was found that two entries are incorrect in MCA receivables ledger. These relate to the Playpen and Drama club balances.</p> <p>We recommend that this is fixed in the new year.</p>	<p>SBM will be advised to code nursery PP funding to 107 Funds from the LA</p> <p>Finance Officer to be shown how to clear outstanding debts from receipt processed outside of the AR module</p>
Accounting estimates	No significant issues identified.	
Staff costs	<p>Green – It was found that one contract at MCA had not been signed.</p> <p>We recommend that all staff contracts are signed by the school and the employee.</p>	SBM will be reminded of the process and the contract will be signed
Accounting for cash receipts and cash payments	<p>Green – It was found that credit notes have not been assigned against the corresponding invoices. This was identified in RVI.</p> <p>We recommend that credit notes are posted against invoices to ensure that the aged creditors represent outstanding invoices.</p>	Finance Officer has cleared this by creating a zero payment in FMS
Accounting for accrued expenditure	No significant issues identified.	
Regularity Assurance	No significant issues identified.	

Pension Liability	No significant issues identified.	
COVID-19	Green – It was found that there is inconsistency between the schools in regard to the treatment of furlough income. We recommend that accrued income is treated consistently across the schools.	This was agreed by FAC as the TBM omitted to ensure that they had been added to the year end provisions

Other areas where issues were identified during the audit	Findings, significance and recommendations	Management response / timetable for action
VAT	Green – It was found that some transactions had been posted gross of VAT. This relates to credit card transactions in RVI, CGPS and RVJ. We recommend that all transactions are posted net of VAT to ensure that the VAT can be reclaimed, and that the expenditure is not overstated.	This is where non-vatable invoices are received from companies such as Amazon, for small amounts it is not considered cost effective to chase for VAT invoices
Fixed Assets	Amber – It was found that the title deed for MCA is still in the name of MCA, rather than TPAT. We recommend that this is changed as MCA is not a separate legal entity.	TBM to chase the solicitor for action

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
Purchase Orders	<p>Green – It was found that purchase orders are not used in every instance in RVI and WRP.</p> <p>We recommend that purchase orders are used for each transaction.</p>	Finance teams will be reminded of the process and recommend it is added to the internal audit schedule
Creditors	<p>Green – It was found that a historic underpayment to Capita has yet to be paid at WRP. It is recognised that the SBM has been making attempts to resolve this issue.</p> <p>We recommend that a further effort is made to clear this underpayment.</p>	This amount has now been claimed by Capita and has cleared

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>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>	No issues noted in current year.	

<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>No issues noted in current year.</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 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>No issues noted in current year.</p>	

<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>No issues noted in current year.</p>	
<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>Remains an issue – please see above.</p>	<p>Enquires were made with the Trust’s solicitors and will be followed up again.</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 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>No issues noted in current year.</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>No issues noted in current year.</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>No issues noted in current year.</p>	
<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>No issues noted in current year.</p>	
<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>Remains an issue – please see above.</p>	<p>Finance teams will be reminded of the process and recommend it is added to the internal audit schedule</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 2019 to 2020 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
No issues		