



# GFM Education

Audit Findings Report  
Year ended 31 August 2017

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# Audit findings for GFM Education for the year ended 31 August 2017

The Trustees  
GFM Education  
Bay House School  
Gomer Lane  
Gosport  
Hampshire  
PO12 2QF

Dear Trustees

In accordance with our normal practice we are writing to draw your attention to various matters which arose during the course of our audit of the accounts for the year ended 31 August 2017.

## **Internal Controls**

The control environment at the trust was good and the key financial controls that we would have expected to see were in place.

## **Adjusted and unadjusted misstatements**

There were no unadjusted misstatements determined during the course of our audit, except for those considered to be clearly trivial.

A schedule of adjustments that were agreed should be processed when finalising the accounts are summarised in section 5 of our audit findings report.

## **Audit opinion**

There are no expected modifications to the auditors' report on the financial statements or the report on regularity.

## **Improvements in the accounting and internal control systems**

As you are aware from our letter of engagement and planning letter, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts.

Section 1 of this report contains details of matters identified during the course of our audit and our recommendations for improvements. This may not contain all areas for improvement that are present in your system.

In making our recommendations, we have considered the size of the Trust and the number of staff you employ. Responses from the Trust's Director of Finance and Resources are included in the final column.

**Regularity**

We have performed a limited assurance scope regularity review. The work performed is summarised in section 2. Matters arising from our report on regularity are set out in section 3 of this report.

**Other relevant matters relating to the audit**

We have discussed with you the fact that we provide additional services to the academy in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services does not affect our independence as the additional services provided are of a routine compliance nature and the Accounting officer and Trustees take any decisions where judgement is required.

**Other matters required by Auditing Standards to be communicated**

There are no other matters that we are required by auditing standards to communicate to you.

We would like to take this opportunity of expressing our thanks to all of your staff for their assistance during the course of our audit, in particular Sue Carter.

Please note that this report has been prepared for GFM Education. It must not be disclosed, quoted or referred to third parties, other than the EFSA, without prior written consent. No responsibility is assumed by us to any other person.

Yours faithfully



**HWB**

## Section 1: Management letter points arising from audit work

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
1	At the balance sheet date the academy has bank balances totalling £3.8m held with Lloyds Bank Plc.	M	Holding balances with one bank increases the academy's risk in the event of failure of any one bank.	Consider transferring funds from the current account to different banks, to spread the academy's risk.	Bank accounts held with Lloyds in order to avoid higher fees other banks charge. The risk will be considered at the next finance committee meeting.	The new Head of finance will review this in 2017/18
2	ESFA valuations have not been obtained for Brune Park or Gomer Junior School land and buildings.	M	The value of the land and buildings for the two schools are estimates.	ESFA valuations are obtained as soon as possible.	The ESFA will issue land and buildings valuations for new academies that opened between 1 September 2016 and 31 August 2017 in January 2018. We will review the valuations to determine if any adjustments are required.	January 2018

## Section 2: Regularity Assurance Review

In accordance with The Academies Accounts Direction (AAD), we have performed a limited assurance scope regularity review of Academy Trust.

The following work was undertaken:

- ❑ Planning of assurance procedures including identifying key risks;
- ❑ Substantive testing including analytical review;
- ❑ Concluding on procedures carried out.

Substantive testing included the following procedures:

- ❑ Confirming that activities conform to the Trust's framework of authorities;
- ❑ Considering the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance;
- ❑ Evaluating the general control environment of the Trust;
- ❑ Testing a sample of transactions to consider whether the transaction is permissible within the Trust's framework of authorities;
- ❑ Confirming whether any extra-contractual payments have been made and whether appropriate authority was obtained;
- ❑ Reviewing documentation for evidence of borrowing and confirming if approval was obtained from the ESFA;
- ❑ Confirming whether ESFA approval was obtained for any disposals of assets;
- ❑ Reviewing the internal control procedures relating to charge cards;
- ❑ Reviewing for any indication of purchases for personal use by staff or officers;
- ❑ Reviewing the list of suppliers to consider whether supplies are from related parties;
- ❑ Considering whether income generating activities are permissible within the Trust's charitable objects;
- ❑ Reviewing whether lettings to related parties are made at favourable rates.

Our work was undertaken in accordance with the guidance in the AAD and the ICAEW's technical release TECH08/12AAF.

## Section 3: Management Letter Points Arising from Our Work on Regularity

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
1	As reported last year, the financial statements do not give the full disclosure by individual staff trustee as required by Accounting and Reporting by Charities: Statement of Recommended Practice ("the SORP") and the Academies Accounts Direction (the "AAD").	M	Non-compliance with the SORP and the AAD. We consider that the omitted details do not affect our opinion on the financial statements. Our audit report is therefore not qualified in this respect.	We recommend that the trustees consider full disclosure in accordance with the SORP and the AAD when preparing the 2017/18 financial statements.	Full disclosure of staff Governors' remuneration by individual Governor has not been made as we consider that this would not provide any additional meaningful	Ongoing
2	The academy has appointed P Kelly as a non-employed trustee to check internal controls however these checks have not been performed.	M	Insufficient internal checking of financial controls, systems, transactions and risks has been undertaken on a regular basis as required by the Academies Financial Handbook (2.4.9).	The Governors should appoint a non-employed trustee to review internal controls on a regular basis. We can provide an example programme of work if required.	An external provider (Wilkins Kennedy) has been appointed to perform the checking of financial controls, systems, transactions and risks.	Financial year 2017/18

	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
3	Up to date details of relevant business interests of Members and trustees have not been published on the academy website.	H	The requirements of the Academies Financial Handbook (2.5.2 & 3.1.20) have not been met.	Details of relevant business interests should be published in accordance with the AFH.	This will be actioned.	Financial year 2017/18
4	Full names and dates of appointment of Members have not been published on the academy website.	H	The requirements of the Academies Financial Handbook (2.5.2) have not been met.	Details of the names and dates of appointment of Members should be published in accordance with the AFH.	This will be actioned.	Financial year 2017/18
5	Details of attendance at board & committee meetings over the last academic year in respect of each trustee have not been published on the academy website.	H	The requirements of the Academies Financial Handbook (2.5.2) have not been met.	Details of attendance at board & committee meetings over the last academic year in respect of each trustee should be published in accordance with the AFH.	This will be actioned.	Financial year 2017/18
6	Details of attendance at local governing body meetings over the last academic year in respect of each trustee have not been published on the academy website.	H	The requirements of the Academies Financial Handbook (2.5.2) have not been met.	Attendance details should be published in accordance with the AFH.	This will be actioned.	Financial year 2017/18



	Issue	Importance H/M/L	Consequence	Recommendation	Response	Timescale
7	K Robertson is not shown as director / trustee on Companies House public record.	M	Statutory information is not up to date.	The relevant forms should be prepared and submitted to Companies House.	This will be actioned.	Financial year 2017/18
8	S Carter (Executive Finance Director) is the chair of the finance and audit committee.	H	The requirements of the Academies Financial Handbook (2.4.3) indicate this not appropriate in order to achieve internal scrutiny which delivers objective and independent assurance.	A non-employed individual is appointed as chair of the finance and audit committee.	This will be actioned.	Financial year 2017/18

## Section 4: Unadjusted Misstatements

<u>No.</u>	<u>Description</u>	<u>Details</u>	<u>Dr</u>	<u>Cr</u>	<u>Surplus / (Deficit)</u>
1	Loan interest	Loan interest Creditors > 1 Year	2,304	2,304	(2,304)
2	Funding owed re census difference	GAG funding Accruals	5,000	5,000	(5,000)
					<u>(7,304)</u>

## Section 5: Adjusted Misstatements

		Restricted/ unrestricted	Restricted fixed asset	LGPS	Total
		£	£	£	£
	Surplus/(deficit) per trial balance	2,093,645	37,296,346	(348,000)	39,041,991
	Audit adjustments:				
1	Presentation of unspent 16-19 bursary funds	(6,946)	-	-	(6,946)
2	LGPS movement for the year	-	-	(1,302,000)	(1,302,000)
3	Increase value of land & buildings on conversion	-	2,538,000	-	2,538,000
4	Depreciation adjustment following journal no. 3	-	(17,310)	-	(17,310)
	Surplus/(deficit) per final accounts	2,086,699	39,817,036	(1,650,000)	40,253,735

# Section 6: Review of Internal Control Recommendations Raised in Prior Year

Issue	Status
At the balance sheet date the academy has bank balances totalling £1.8m held with Lloyds Bank Plc.	Carried forward onto current year recommendations.

## Section 7: Review of Regularity Recommendations Raised in Prior Year

Issue	Status
The financial statements do not give the full disclosure by individual staff governor as required by Accounting and Reporting by charities: Statement of recommended practice ("the SORP") and the Academies Accounts Direction.	Carried forward onto current year recommendations.
The academy has appointed D Mills then P Turnbull as a non-employed trustee to check internal controls however these checks have not been performed. The external auditors carried out a supplementary programme of work for one term.	Carried forward onto current year recommendations.

## Section 8: Going Concern

### Trustees' assessment

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Trust has sufficient resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in the statutory accounts.

### Work performed by HWB

- ❑ Review latest budgets to ascertain whether going concern has been correctly addressed.
- ❑ Enquire into whether there have been any material new commitments, borrowings or guarantees post year end.
- ❑ Enquire into whether there have been disposals or acquisition of material assets or any appropriation or destruction of assets.

## Section 9: Assignment Team Contact Details



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