



# Report to the trustees and summary of audit findings

The Hamblin Education Trust

Year ended 31 August 2017



The Hamblin Education Trust  
Summary of audit findings for the year ended 31 August 2017

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**1. Introduction**

We are pleased to set out in this document our report to the trustees of The Hamblin Education Trust for the year ended 31 August 2017.

Our responsibilities as auditors are set out in the International Standards on Auditing (UK and Ireland) ("ISAs"). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We have carried out our audit in accordance with the terms of our engagement letter dated 8 August 2014 in order to express an audit opinion for UK statutory purposes on the financial statements of The Hamblin Education Trust for the year ended 31 August 2017.

In this report, we present the key findings from our audit, together with a commentary on the significant matters arising.

This report has been discussed comprehensively and agreed with Juliette Jackson (CFOO) and Patsy Radcliffe (Bursar).

This report has been provided to the trustees to consider and ratify on behalf of The Hamblin Education Trust.

We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

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## **2. Statutory audit communication**

### **2.1 Objectivity and independence**

We conducted our audit in accordance with the Code of Ethics of the Institute of Chartered Accountants in England & Wales and the Ethical Standards published by the United Kingdom Auditing Practices Board.

We have considered our independence and objectivity in respect to the audit for the year ended 31 August 2017.

In addition to auditing the financial statements we also provided, through other individuals, the following services to The Hamblin Education Trust for the year ended 31 August 2017:

- Preparation of the statutory financial statements.
  - Audit of the EOYC return.
  - Preparation of the Annual Accounts Return.
  - Corporation tax advisory and compliance services
  - Payroll services
  - Specialist VAT advice
  - Due diligence services
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We have outlined below the safeguards that we have put in place to ensure that these services do not cause any breaches in our independence and objectivity in relation to the audit.

<b>Non audit service provided</b>	<b>Safeguards put in place to reduce the threat to our integrity, independence and objectivity</b>
Preparation of the statutory financial statements	Internally the accounts are reviewed by a separate individual from those who have prepared the financial statements. The accounts are reviewed in full by those charged by governance of the academy trust to ensure they comply with ESFA guidance. Any accounting judgements required are made by the audit client.
Preparation of the Annual Accounts Return	The return is prepared from data in the statutory financial statements and as such is covered by those safeguards above.
Preparation of the EOYC return	This service is provided by a separate individual from those who have audited the financial statements.
Corporation tax advisory and compliance services	This service is provided by a separate individual from those who have audited the financial statements.
Payroll services	This service is provided by a separate individual from those who have audited the financial statements.
Due diligence services	This service is provided by a separate individual from those who have audited the financial statements.
Specialist VAT advice	This service is provided by a separate individual from those who have audited the financial statements.

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Haines Watts charged £1,450 for completion of the Annual Accounts Return, £8,974 for payroll, £5,188 for due diligence services and £615 for other services.

Haines Watts charged £450 for the Teachers' Pension EOYC audit and £11,610 for the audit of the academy trust.

To maintain our independence as auditors we can also confirm that:

- Haines Watts, its partners and the audit team have no family, financial, employment, investment or business relationship with the company; and
- audit and non-audit fees paid by the company do not represent a significant proportion of total fee income for either the firm or office.

We confirm that, in our professional judgement, the firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

### Legal and regulatory requirements

In undertaking our audit work we considered compliance with the following legal and regulatory requirements, where relevant:

- Companies Act 2006.
  - Charities Act 2011.
  - Academies Act 2010.
  - Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.
  - Academies Accounts Direction 2016 to 2017.
  - Academies Financial Handbook 2016.
  - Statement of Recommended Practice, Accounting and Reporting by Charities (FRS 102).
  - Applicable accounting standards.
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### Summary of audit findings for the year ended 31 August 2017

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#### 2.2 Audit approach and materiality

Our audit planning has taken account of the issues highlighted through discussions with The Hamblin Education Trust, together with our knowledge and understanding of the academy trust.

We confirm that there were no restrictions on the scope of our audit procedures and we have been able to undertake our work as set out in our planning meeting.

In our planning we have taken account of the results of our risk assessments made in accordance with the guidance set by the ISAs. Our consideration of high risk areas is documented in full within section 3 of this report.

Based on this rigorous process we have used our professional judgement and formed a materiality level. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements and the value at which if errors, on their own or in aggregate, were uncorrected would result in a potential qualified audit opinion. The audit materiality of the financial statements as a whole has been set at approximately 1% of total incoming resources. We have considered this level of materiality based on the draft accounts for the year ended 31 August 2017 and are satisfied that it continues to be appropriate.

Underpinning materiality is a level of triviality, £1,000, at which any error or omission in excess of this value is recorded and reported to management.

In planning and carrying out our work, we applied a group materiality level to The Hamblin Education Trust of £91,000 based on 1% of income.

#### 2.3 Accounting policies

In preparing the financial statements of the academy trust, directors/trustees are required under FRS 102 to review the academy trust's accounting policies on an annual basis to ensure they remain appropriate to the academy trust's circumstances and are properly applied.

We have reviewed the accounting policies selected and operated by the academy trust, and are satisfied that they are acceptable.

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# The Hamblin Education Trust

## Summary of audit findings for the year ended 31 August 2017

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### 2.4 Significant findings

There are no matters that we feel need bringing to the attention of the trustees in this section.

### 2.5 Accounting estimates and judgements

The property is recorded in the accounts at valuation. The basis of the valuation is existing use value calculated on a depreciated replacement cost basis.

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used were as follows:

Freehold land	nil
Freehold buildings	50 years straight line/reducing balance
Fixtures, fittings & equipment	4years straight line/reducing balance
Computer equipment	3 years straight line/reducing balance
Motor Vehicles	4 years straight line/reducing balance
Assets under the course of construction	nil until brought into use.

Local Government Pension Scheme - the academy trust's share of the LGPS assets is measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities. Details of the major assumptions used by the actuary in its calculation are shown in note 18 to the financial statements.

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### 2.6 Funding position at 31 August 2017

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objects of the academy trust and are restricted to both the day to day running of the academy trust and capital expenditure. The balance carried forward on this fund is a deficit of £1,462,000, being £29,000 general deficit less the pension deficit of £1,433,000.

Restricted fixed asset funds are those funds relating to the long term assets of the academy trust used in delivering the objectives of the academy trust. The balance carried forward on this fund is £12,680,000. Additional analysis of this fund by nature has been provided to comply with the Academies Accounts Direction.

Unrestricted funds are funds to which the governing body may use in the pursuance of the academy trust's objectives and are expendable at the discretion of the trustees. The balance carried forward on this fund is £962,000.

Individually, the general reserves carried forward excluding pension deficits and fixed assets in Altrincham Grammar School for Boys and North Cestrian School are £28,000 surplus and £46,000 deficit respectively.

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2.7 Reconciliation of audited surplus/deficit

The surplus/(deficit) per the financial statements has been derived as follows:

	£'000
Surplus per the initial draft trial balance	107
Late client adjustment – depreciation	(284)
Late client adjustment – decrease in pension provision	557
Audit adjustments:	
North Cestrian School (appendix 1)	1,368
Altrincham Grammar School for Boys (appendix 2)	-

Surplus/(deficit) per financial statements 1,748

There are no uncorrected material errors or omissions in isolation or aggregate.

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### 2.8 Difficulties encountered during the audit

We encountered the following difficulties during the audit:

- We were advised at the planning meeting that trial balances for each school would be available one week before our site visits. This deadline was not met.
- The agreed start date meant that part of our on-site work coincided with half term. There was limited staff availability to assist with the audit during this period.
- The following control accounts had not been satisfactorily reconciled by the time of our on-site visits – pension control accounts for both schools, bank account at North Cestrian School
- The intra-trust balances and individual academy trial balances were not in balance due to journals being posted in part to different entities. This was corrected when highlighted.
- Information from the list of audit deliverables had not fully been collated at the due dates and turnaround time for information requests was generally slow.
- The governors Autumn 2016 pecuniary interest declarations for North Cestrian School have not been located to date. Governors' interests had to therefore be derived from 2015 and 2017 declarations and information from Companies House searches.

We would highlight that this is at a time when there have been considerable staffing changes in the Finance Department of Altrincham Grammar School for Boys.

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**2.9 Accounting and financial control systems**

During our audit we examined the design and implementation of the internal controls relevant to the accounting systems and procedures.

The review of internal controls was carried out with a view to expressing an opinion on the financial statements for the year and was not directed primarily towards discovering weaknesses or towards the detection of fraud. Therefore our comments on these systems include only those matters that have come to our attention as a result of our normal audit procedures, and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made. Please refer to section 4 of this report.

**2.9 Management representations**

We include a copy of the draft management representation letter. There are certain specific representations which we are required by auditing standards to obtain from management as part of our audit procedures. In addition, we are required to obtain other representations on matters material to the financial statements where other sufficient appropriate audit evidence cannot be reasonably expected to exist.

**2.10 Audit opinion**

Based upon the findings and conclusions of our work, we expect to issue an unqualified audit opinion on the financial statements.

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**3. High risk audit areas**

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Fund Accounting.</p> <p>Treatment of restricted and unrestricted funds.</p> <p>Funding providers will impose restrictions on the use of funds given to the academy trust. Such funds should be allocated to the statement of financial activities in accordance with guidance by individual funders</p>	<p>Incorrect disclosure of restricted and unrestricted reserves in the financial statements.</p>	<p>We reviewed the treatment of income and associated expenditure to ensure that funds relate to their specified category.</p> <p>Income and expenditure tested on a sample basis to confirm treatment correct. Review of income and expenditure headings on a line by line basis to ensure compliance with the Academies Accounts Direction.</p>	<p>There are no uncorrected material mis-statements in respect of the allocation between restricted and unrestricted reserves in the financial statements</p>
<p>Eligibility of payroll costs</p>	<p>The payroll function is outsourced. Our knowledge of the academies market has shown some error risk posed over outsourced payrolls.</p>	<p>We performed analytical procedures to ascertain whether the salary costs for the year were in line with our expectations. In addition, tests of control to ensure key controls are being adhered to.</p>	<p>Payroll costs in the financial statements do not appear to be materially mis-stated.</p>

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## Summary of audit findings for the year ended 31 August 2017

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>FRS 102 Accounting for Pensions</p> <p>Treatment of the academy trust's share of pension scheme deficits</p>	<p>Incorrect treatment of the pension valuation.</p> <p>Financial statements are not prepared in accordance with sector accounting guidance.</p>	<p>We obtained the FRS 102 pension valuation as at 31 August 2017 and assessed the disclosures and accounting entries made by the academy trust.</p> <p>We confirmed that the basis of valuation was appropriate and that the disclosures made in the financial statements were prepared in accordance with FRS 102 and the sector standard as set out in Academies Accounts Direction.</p>	<p>Pension deficits are not materially mis-stated and are adequately disclosed in the financial statements.</p>
<p>Income recognition</p>	<p>Grant/other income not being recognised in accordance with the Charity SORP (FRS 102) recognition criteria and per the underlying funding agreement.</p>	<p>The accounting policies adopted by the academy were reviewed, considering the guidance available in Charity SORP (FRS 102) and the recognition criteria of entitlement, certainty and measurement.</p> <p>A review of grant funding agreements was performed to determine whether the grant income had been recognised in the appropriate period.</p> <p>Discussions were held with management and meeting minutes reviewed to identify any unexpected one-off sources of income and to ensure that the accounting treatment is appropriate.</p>	<p>Grant and other income is recognised in accordance with the SORP 2015 FRS102 recognition criteria and per the underlying funding agreement and has been recognised in the appropriate period.</p>

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## Summary of audit findings for the year ended 31 August 2017

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Going concern</p>	<p>It is the responsibility of the Trustees to assess the ability of the academy to continue as a going concern for a period of not less than 12 months following the anticipated date of sign off. This is a key risk given the current economic climate and pressures on government spending.</p>	<p>We have reviewed the considerations of management including cash flow forecasts and budget reports in relation to the going concern assumptions made.</p>	<p>The trustees' assertions with regard to the ability of the academy to continue as a going concern for a period of not less than 12 months following the anticipated date of sign off are deemed to be appropriate.</p>
<p>Management override of internal controls</p>	<p>All control systems present the risk that they can be bypassed by senior members of the management team, leading to accounting entries and transactions being made without the need to follow the established systems and procedures</p>	<p>A suitable level of professional scepticism was applied throughout all areas of audit testing. We examined the significant accounting estimates and judgements applied to the accounts for evidence management bias that may represent a risk of material misstatement due to fraud.</p>	<p>Our examination of the significant accounting estimates and judgements applied to the accounts showed no indication of management bias that may represent a risk of material misstatement due to fraud.</p>
<p>Payments made to connected parties</p>	<p>That payments made to related parties are not in line with current guidance and the latest Academies Financial Handbook by being made at cost.</p>	<p>All related party transactions that have been identified have been reviewed to ensure that the most recent guidance has been followed correctly and that relevant documentation has been seen to prove this. Signed statements of assurance have been obtained.</p>	<p>Payments made to related parties are in line with current guidance and properly disclosed</p>

#### 4. Report of significant weaknesses in systems and internal controls

##### 4.1 Introduction

We set out below the significant matters we became aware of during our audit, which relate to the effectiveness of the company's accounting and financial control systems. We have used the following grading system to indicate the significance of the issues we have raised and the priority that we believe should be given to our recommendations.

Rating	Description
High	Should be urgently attended to by the directors and management. These are significant issues that may result in a qualification in the audit report in future periods if not satisfactorily addressed.
Moderate	Issues requiring the attention of the directors and management. Issues ranked as moderate require close monitoring by the board and senior management to ensure timely resolution.
Low	Issues requiring management attention and correction. Issues ranked as low are generally routine in nature and should be resolved by general management. The board and senior management should be aware of these issues to enable monitoring of progress with their resolution. These issues may be reported to management in less detail than more highly rated issues.

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### Summary of audit findings for the year ended 31 August 2017

Audit finding and recommendation	Priority	Management response
<p>No fixed asset register had been created for the North Cestrian School as required by the Academies Financial Handbook. We advise that this be created using those working papers prepared during the audit as a basis.</p>	L	<p>Discussed with J Jackson (CFOO) and P Ratcliffe (Bursar)</p> <p>Discussed and agreed</p>
<p>It was noted during our audit work that for both schools in the trust, the data on the pecuniary interests recorded by the trustees and the details of their attendance at meetings through the year was not on the academy website. The dates of appointment and stepping down should also be noted. Additionally for North Cestrian School the terms of office and details of who appointed the trustees was omitted and should be disclosed.</p>	L	<p>A request has been made to the responsible person by the date of this report for the website to be updated as required.</p>
<p>Unspent 16-19 bursary funds were in excess of £48,000 at the balance sheet date. We would advise that as agents, any unspent funds are repayable to the ESFA and all endeavours should be made to identify potential areas in which these funds may be spent.</p>	L	<p>Already considered by new CFOO at the date of this report and potential expenditure is being investigated.</p>
<p>During our testing of credit card expenditure it was noted that there were instances where receipts had not been retained as proof of proper application of school funds. This was in respect of Altrincham Grammar School for Boys. Whilst in October 2016 this comprised &lt;0.5% of all credit card expenditure, this had increased to 40% by January 2017. The majority of the purchases were from Amazon. We advise that all receipts are printed off and retained in future.</p>	L	<p>Discussed and agreed</p>



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## Summary of audit findings for the year ended 31 August 2017

Audit finding and recommendation	Priority	Management response <i>Discussed with J Jackson (CFOO) and P Ratcliffe (Bursar)</i>
<p>Two governors of Altrincham Grammar School for Boys omitted to note their directorships of Altrincham Grammar School Developments Limited on their 2016 pecuniary interest declaration, and a further one omitted their governorship of North Cestrian School in error.</p> <p>Similarly, one governor at North Cestrian School omitted their interest in Altrincham Grammar School for Boys.</p>	L	<p><i>Governors to be informed.</i></p>
<p>Gary Harding, a non-employed trustee, was engaged to check the trust's internal controls. This arrangement ceased after the spring term. The Academies Financial Handbook states that trusts should manage their risk review and checking of financial controls in a way deemed most appropriate. We advise that one of the suggested options be adopted : appointment of an internal audit service, a supplementary work programme by the trust's external auditors, a peer review or checking of internal controls by another trustee.</p>	L	<p><i>Under consideration</i></p>
<p>During the course of our audit work on expenditure it was noted that in around 62% of cases ordering was not formally documented. In 21% of these cases this was because the expenditure was of a recurring nature. A further 6% arose for the purposes of emergency or unpredictable expenditure. In no instances did this lead to inappropriate use of school funds. We believe that this is largely due to the existence of compensating controls surrounding authorisation of subsequent payment. We advise that those members of staff with responsibility for ordering goods and services be reminded of procedures as set out in the Financial Control Manual on a periodic basis.</p>	L	

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## Summary of audit findings for the year ended 31 August 2017

<b>Audit finding and recommendation</b>	<b>Priority</b>	<b>Management response</b>
North Cestrian School did not retain permission slips in respect of overnight trips sampled. We requested that these be retained in future until completion of the audit. This will assist us in assessing the completeness of such income.	L	Discussed with J Jackson (CFOO) and P Ratcliffe (Bursar) Confirmed
It was noted on receipt of the Trustees Report that Dr M Thomson was recorded as having resigned in June 2017. This resignation had not been notified to Companies House at the date of the audit. We advise that they be notified immediately.	L	

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## Summary of audit findings for the year ended 31 August 2017

### 5. Status of audit recommendations from previous year

During the course of the audit we revisited the audit recommendations from the previous year's audit management letter and set out below the status of these recommendations.

<b>Systems and controls – observations in 2016</b>	<b>Update in 2017</b>
<p>During the course of our audit work on expenditure it was noted that in around 29% of cases ordering was not formally documented. In 8% of these cases this appeared to be because the expenditure was of a recurring nature. A further 4% arose for the purposes of emergency expenditure. In 12% of cases where formal order documentation is raised this is after the invoice has been received rather than when the order is raised. In no instances did this lead to inappropriate use of school funds. We believe that this is largely due to the existence of compensating controls surrounding authorisation of subsequent payment. We advise that those members of staff with responsibility for ordering goods and services continue to be reminded of procedures as set out in the Financial Control Manual.</p>	<p>See above</p>
<p>It was noted during our audit work that the data on the pecuniary interests recorded by the trustees and the details of their attendance at meetings through the year was not on the academy website. The website had recently been upgraded and some data was yet to be re-input.</p>	<p>Remained uncorrected at August 2017</p>
<p>A single trustee had been appointed as a director to another company in February 2016. This business interest had been omitted from their latest pecuniary interest declaration. All other interests had been correctly recorded. There were no transactions between the academy and this company since the date of appointment.</p>	<p>This was corrected on discovery</p>

**6. Regularity**

There were no regularity, propriety and compliance matters that we became aware of during our audit, which relate to the responsibility to ensure that public money is spent for the purpose intended by Parliament (regularity) and a responsibility to ensure that appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under the academy's control (propriety).

However, we would wish to draw to the trustees' attention the fact that the contract of employment of the Headteacher at North Cestrian currently allows him to travel to and from the family home in Devon several times a year at the trusts expense. Whilst it is understood that the Head teacher does not fully exercise these rights and the actual amounts spent are trivial, this arrangement represents an unusual contractual term that could unnecessarily appear contentious. It may be that this arrangement may wish to be reviewed, with one possibility being that this reimbursement of private expenditure be replaced by an equivalent increase in payroll remuneration. We would advise that the tax consequences of the existing arrangement be given careful consideration also.

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Mr John Whittick  
Partner  
Haines Watts  
Chartered Accountants  
Bridge House  
Ashley Road  
Hale  
Cheshire WA14 2UT

15 December 2017

Dear Mr Whittick

We hereby acknowledge receipt of the Report and Financial Statements, the Report to the Trustees and the Summary of Audit Findings for the financial year ending 31<sup>st</sup> August 2017.

The Board of Trustees and I have studied the reports and note the Audit Findings Report recommendations. The findings were discussed at the Directors' meeting of the Hamblin Education Trust.

We note that there was one low risk minor management issue in relation to the recording of pecuniary interests on the Schools' websites. We have already begun working with members of staff in charge of website updates and are working to implement a more robust process for collating the necessary information and ensuring that the correct updates are made.

Yours sincerely



T. J. Gartside  
Accounting Officer