

Audit Completion Report

Lincoln Anglican Academy Trust – year ended 31 August 2016

November 2016



Strictly private and confidential

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

The Board of Directors
Lincoln Anglican Academy Trust
Edward King House
Minster Yard
Lincoln
LN2 1PU

November 2016

Dear Sirs,

Audit Completion Report – Year ended 31 August 2016

We are delighted to present our Audit Completion Report for the year ended 31 August 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on July 2016. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0115 964 4744.

Yours faithfully



David Hoose

Mazars LLP

Contents

01 Executive summary	2
02 Significant findings	3
03 Internal control recommendations	8
04 Summary of misstatements	16
Appendix A – Draft management representation letter	17
Appendix B – Draft audit report	20
Appendix C – Draft regularity report	22
Appendix D – Independence	24
Appendix E – Future Developments	25

This document is to be regarded as confidential to Lincoln Anglican Academy Trust. It has been prepared for the sole use of the Trustees. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this document, or any part of it, is disclosed to a third party, our written consent must first be obtained.

01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 August 2016 to the Trustees of Lincoln Anglican Academy Trust.

Our communication with you is important to:

- share information to assist both of us to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure as part of the two-way communication process we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Lincoln Anglican Academy Trust; and
- receive feedback from yourselves as to the performance of the engagement team.

Section 3 sets out internal control recommendations and section 4 sets out audit misstatements.

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK and Ireland) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 2 of this report we have set out our conclusions and significant findings from our audit and regularity assurance engagement. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum of which the principal ones were:

- Going concern;
- Classification of funds;
- Management override of controls; and
- Revenue recognition.

This section also sets out our conclusions and findings from the regularity assurance engagement.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 August 2016. At the time of preparing this report, there was no significant information outstanding.

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B.

02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- any matters arising from our regularity assurance work;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

Significant risks

Going concern

Description of the risk

Both the private sector and public sector face challenging times due to the current economic climate. Increased risks are faced in many areas by the Trust, including:

- Reduced levels of public funding
- Demographic challenges and fall in student numbers
- Expected reduction in funding for the next financial year
- Increased national insurance and teachers' pension contribution rates

The risk of these factors having a significant impact on the going concern opinion is moderate. It needs to be considered whether any factors impact on the Trust's ability to continue operations.

How we addressed this risk

Additional audit focus was made regarding the going concern opinion of the Trust (as is the situation with all trusts). We also considered and reviewed future funding.

Audit conclusion

From the audit testing performed, we did not identify any issues with regards to the going concern assessment made by management. The number of schools that have joined the Trust since the year end, and those that are in the pipeline to join, will improve the economies of scale across the Trust, and will allow the Head Office to function more efficiently.

Classification of funds

Description of the risk

There is a risk that income or capital (endowment) / restricted income received has restrictions imposed by a third party and therefore should be recorded as restricted income or capital (endowment) in the SOFA. The related expenditure must be allocated against these restricted funds and any remaining funds at the period end must be carried forward within restricted funds.

How we addressed this risk

We have reviewed income documentation to ensure the classification is correct.

Audit conclusion

From the audit testing performed, we did not identify any issues with regards to the classification of funds as disclosed in the annual accounts.

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

From the audit testing performed, there was no evidence of management override of controls.

Revenue recognition

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

How we addressed this risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

Audit conclusion

From the audit testing performed, there was no indication of any fraud through revenue recognition.

Key areas of management judgement

Depreciation

Description of the area of management judgement

To ensure that depreciation rates match the expected useful lives of the assets and that there is a level of consistency in the calculations applied.

How we addressed this area of management judgement

We reviewed the methodology taken to ensure the approach adopted provides a sound base for accounting in this area. We reviewed other data to verify the logic of the assumptions used and we shall review the calculations underlying the methodology. We shall consider if asset lifecycles are reasonable and consistent with our knowledge of the sector.

Audit conclusion

The depreciation charge has been recalculated based upon management's judgement of the assets useful economic lives and is deemed to be reasonable.

Local government pension scheme assumptions

Description of the area of management judgement

To ensure that the assumptions used within the year end valuation of the Local Government Pension Scheme Deficit are appropriate.

How we addressed this area of management judgement

We arranged for our internal pension specialists to review the assumptions that have been applied and consider if these are appropriate based on our knowledge of the sector.

Audit conclusion

Following review by our internal pension specialists, it was identified that the salary increase assumptions within the East Riding Pension Scheme (of which Canon Peter Hall and Ulceby St Nicolas are members) were outside of what we would consider an acceptable range by 1.3% and 1.4% respectively. Based on the sensitivity analysis performed by your actuaries, this would result in a potential increase to the Local Government Pension Scheme deficit of between £125k and £187k.

However, following discussions with the Finance Director, your actuaries and our specialists, we are prepared to accept the reasoning behind the lower than expected assumption on the basis that a) they have been set on local issues - the East Riding is considered to be a deprived region of the country, with lower than average employment and salary growth, and therefore not directly comparable to the Mazars actuarial benchmarking, which is set on a national basis; and b) longer term, the assumption returns to a broadly acceptable level. We therefore do not view this as an unadjusted error. The other assumptions were within our range of acceptability.

There were no significant issues noted with the Lincolnshire County Council Local Government Pension Scheme assumptions or the valuations included therein.

Accrued and deferred income

Description of the area of management judgement

To ensure that the calculation of accrued and deferred income ensures that income is allocated to the correct accounting period.

How we addressed this area of management judgement

We reviewed any provisions for accrued and deferred income to ensure that they meet the criteria of entitlement and measurement at the balance sheet date. We tested the calculations of material accruals and prepayments to ensure that costs are allocated to the correct accounting period.

Audit conclusion

The accrued and deferred income has been reviewed and the income has been correctly allocated to the relevant accounting period.

Capitalisation of fixed assets

Description of the area of management judgement

To ensure that the correct allocation has been made within the financial statements for the treatment of capital items purchased during the year.

How we addressed this area of management judgement

We reviewed the methodology that has been used to ensure that this is appropriate for accounting for assets and in line with relevant accounting standard.

Audit conclusion

From the audit testing conducted, the capitalisation of fixed assets has been deemed as reasonable and appropriate considering the capitalisation policy in place.

Significant matters discussed with management

Land & Buildings

In accordance with the Academies Accounts Direction 2015-16 the academy trust has capitalised the value of the school land and buildings that it occupies. We concur with this accounting treatment. We are aware however, of a paper entitled "The Accounting Treatment of Land and Buildings Occupied by Church Academies – Guidance for Academy Trust Companies", which was published during 2015 by the Catholic Education Service and The National Society. This paper suggests that church academies should not capitalise the value of the school land and buildings that it occupies. We do not concur with the technical arguments set out in this paper. We are aware that the Board of Trustees have discussed this matter, and on a majority basis, opted to retain the Land and Buildings on the Trust balance sheet.

Accounting policies and disclosures

We have reviewed Lincoln Anglican Academy Trust's accounting policies and disclosures and concluded they comply with the requirements of the Academies Accounts Direction 2015 to 2016, the Charity SORP 2015 and the Companies Act 2006.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Regularity assurance engagement findings and conclusions

Our regularity assurance engagement was conducted in accordance with the Academies Accounts Direction 2015 to 2016, issued by the Education Funding Agency.

The Academies Accounts Direction 2015 to 2016 sets out the framework and reporting requirements on the statement of regularity, propriety and compliance and the Board of Directors responsibilities and the scope of our work in our role as independent reporting accountant.

We are required to report to the Board and the Secretary of State for Education acting through the Education Funding Agency whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

We are required to report to you by way of management letter instances of irregularity that have been identified during the course of our engagement that we conclude are not material by virtue of value or nature, either individually or in aggregate, or does not relate to transactions underlying the annual accounts.

We did not identify any instances of irregularity through the course of this engagement.

03 Internal control recommendations

Relating to the “true and fair” audit

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	-

There were no internal control issues or recommendations noted relating to our “true and fair” audit work.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

As the Trust continues to grow, the Board should consider if the current finance structure and systems are appropriate.

Potential effects

Inappropriate structure and systems to manage day to day operations of the Trust.

Recommendation

Consider if the current structure is appropriate and whether any additional training and / or support is required for the finance team. Also, consider if the current accounting system is fit for purpose for the size and complexity of the Trust.

Management response

Consideration was given to whether the finance system was fit for purpose before implementation and it was procured due to its ability to grow and house numerous locations with varying complexities. Recently SAAF has been appointed to support the finance function and individual training needs have recently been identified in each academy with relevant training now in the process of being actioned.

Audit Conclusion

An internal finance team is now in place and the contract with SAAF has been terminated. The Board needs to ensure the finance structure continues to evolve as the Trust grows and that the systems in place remain appropriate. This is therefore considered to remain as an Internal Control Recommendation, albeit no longer a 'high' level recommendation, but a 'low' level.

Description of deficiency

VAT reclaims are not completed on a monthly basis, these have been done annually for 2013/14 and 2014/15.

Potential effects

The Trust is not receiving money which it is entitled to, in a timely manner.

Recommendation

VAT returns should be completed on an ideally monthly but at least quarterly basis going forward.

Management response

Management have confirmed that this will be completed on a monthly basis going forward.

Audit Conclusion

VAT returns have been completed and submitted on an appropriate timescale.

Description of deficiency

Whilst undergoing salaries and wages transaction testing, it was identified that two employees were on the incorrect LGPS pension bandings.

Potential effects

The pension contributions are incorrect, and there are more untested staff members which could possibly be on the incorrect pension bandings.

Recommendation

Ensure the payroll is checked thoroughly and sense checks are performed to gain reasonableness over the monthly payroll.

Management response

This was noted to management and they confirmed that this will be corrected going forward.

Audit Conclusion

From the testing performed, LGPS pension bandings have been applied accordingly.

Description of deficiency

Journals are not authorised, and no separate record of the relevant supporting documentation is kept.

Potential effects

Fraudulent journals are entered in the accounting records and not noticed by the Finance Team, as they do not have oversight or record of the processes in place.

Recommendation

Journals should be authorised by a different person to who is inputting the journal to ensure there is appropriate segregation of duties. Supporting documentation should also be kept to ensure the journal is being dealt with correctly and is being correctly recognised.

Management response

Management have confirmed that processes are underway in order to resolve this deficiency.

Audit Conclusion

Journals have been authorised by an appropriate member of senior personnel in the year under review. Post year-end journal approvals are done electronically.

Description of deficiency

Combined purchase ledgers are kept for all schools; this is not easily identifiable on a school by school basis.

Potential effects

Payments are not correctly allocated, resulting in over or under payment of a supplier.

Recommendation

Separate purchase ledgers should be kept for each school in order to correctly identify transactions and payments.

Management response

Management have confirmed that processes are underway in order to resolve this deficiency.

Audit Conclusion

During the audit fieldwork, clear distinction was provided between the different academy ledgers.

Description of deficiency

Whilst undergoing salaries and wages transaction testing, there were instances whereby new or most recent contracts and revised salary statements are not kept in files.

Potential effects

There could be instances where staff that have left the employment of the Trust are continued to be paid; staff are paid the incorrect salary; staff have the incorrect pensions deducted based on out of date salary details.

Recommendation

Ensure personnel records are kept up to date in order to correctly reflect each employee's salary.

Management response

This will be implemented immediately.

Audit Conclusion

From the testing performed, there was an instance noted where the most recent salary statement was dated 2013, however, the rest of the sample selected had been updated as recommended in the prior year.

Description of deficiency

The FRS 102 Actuarial reports on the Trust's share of the Local Government Pension Scheme Deficit has not been requested in good time, meaning their absence cause a delay in completion of the annual audit and financial statements.

Potential effects

Non-compliance with the Academies Financial Handbook.

Remedial action

FRS 102 reports need to be organised in good time to prevent undue delays in the audit and accounts process.

Management response

The trust is now aware of the requirement and processes involved and the situation should not recur.

Audit Conclusion

All FRS 102 reports have been prepared and received in good time.

Relating to the "regularity" assurance work

The purpose of our regularity assurance work is to provide a limited assurance report on the regularity of both income and expenditure. The matters reported below, are limited to those that we have identified during our normal procedures. Our work is not designed to provide an opinion that there are no issues with regards to regularity. If we had performed more extensive procedures, we might have identified more issues to be reported. Our comments should not be regarded as a comprehensive record of all regularity issues that exist.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	The recommendation should be taken into consideration by management immediately.	-
2 (medium)	The recommendations should be actioned in the near future.	-
3 (low)	The recommendation should be actioned when practicable.	-

There were no internal control issues or recommendations noted relating to our "regularity" assurance work.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

Whilst we note that the trust has a register of business & pecuniary interests that is kept up to date, these were not published on the trust website at the time of our audit, as required per Section 3.1.19 of the Academies Financial Handbook 2014.

Potential effects

Non-compliance with Academies Financial Handbook.

Remedial action

Ensure that an up to date version of the trust's register of business and pecuniary interests is published on the trust's website.

Management response

This will be updated and uploaded onto the website.

Audit Conclusion

This was tested during our regulatory review, and has been addressed appropriately.

Description of deficiency

Management accounts were not prepared on a regular basis throughout the financial year.

Potential effects

Non-compliance with Academies Financial Handbook.

Remedial action

Ensure that in future periods the deadline is met.

Management response

SAAF have been engaged to ensure that these are prepared on a regular basis and updated financial information provided to the Trustees.

Audit Conclusion

This was tested during our regulatory review, and have been addressed appropriately. The contract with SAAF was terminated following the completion of the external audit and the appointment of an internal finance team who will continue to prepare management accounts as required by the Financial Handbook.

Description of deficiency

During our testing, we were unable to obtain supporting evidence regarding quotes obtained for services procured.

Potential effects

Lack of audit trail regarding compliance with internal financial procedures.

Remedial action

The Trust should ensure that they evidence compliance with trust procurement procedures, in particular regarding tendering.

Management response

This will be adhered to in the future.

Audit Conclusion

No issues were noted from the testing performed.

Description of deficiency

The 2014 Financial Statements were not submitted on time, and have not been published on the Academy Trust website.

Potential effects

Non-compliance with the Academies Financial Handbook.

Remedial action

Ensure that the financial statements are published as soon as feasibly possible.

Management response

The 2014 financial statements will be uploaded onto the website immediately and the 2015 financial statements will be submitted and uploaded in a timely manner.

Audit Conclusion

The 2015 financial statements were uploaded in a timely manner.

Description of deficiency

The 2015/16 Budget Return was submitted after the deadline of 31 July 2015.

Potential effects

Non-compliance with the Academies Financial Handbook

Remedial action

Ensure that in future periods the deadline is met.

Management response

This has now been submitted.

Audit Conclusion

This was tested during our regulatory review, and have been addressed appropriately. There were no issues noted with the submission of the 2016/17 Budget Return either.

04 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment. The table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

There were no misstatements that have been adjusted by management during the course of the audit.

			SOFA		Balance Sheet	
			£	£	£	£
1	Dr	Trade debtors			25,267	
	Dr	Trade debtors			296	
	Dr	Trade debtors			1,002	
	Dr	Trade debtors			1,584	
	Cr	Trade creditors				25,267
	Cr	Trade creditors				296
	Cr	Trade creditors				1,002
	Cr	Trade creditors				1,584
		<i>Being presentational adjustment for debit balances on the purchase ledger</i>				
2	Dr	Trade debtors			4,131	
	Cr	Trade creditors				4,131
		<i>Being presentational adjustment for credit balances on the sales ledger</i>				

Disclosure amendments

There were no disclosure amendments to the financial statements identified during our review of the annual report.

Appendix A – Draft management representation letter

Edward King House
Minster Yard
Lincoln
LN2 1PU

Dear Sirs

Lincoln Anglican Academy Trust - audit for year ended 31 August 2016

This representation letter is provided in connection with your audit of the financial statements of Lincoln Anglican Academy Trust for the year ended 31 August 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with Academies Accounts Direction 2015 to 2016, the Companies Act 2006 and the Charity SORP 2015 issued by the Education Funding Authority (EFA).

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information We believe that we have fulfilled our responsibilities, as set out in the audit engagement terms, for the true and fair presentation and preparation of the financial statements in accordance with Academies Accounts Direction 2015 to 2016, the Companies Act 2006 and the Charity SORP 2015 issued by the EFA.

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the trust you determined it was necessary to contact in order to obtain audit evidence.

We confirm as directors that we have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

We have made you aware of any instances of non-compliance with either our funding agreement or the Academies Financial Handbook.

Accounting records

We confirm that all transactions undertaken by the trust have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with the requirements of with Academies Accounts Direction 2015 to 2016, the Companies Act 2006 and the Charity SORP 2015 issued by the EFA and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

We confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the trust have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Academies Accounts Direction 2015 to 2016, the Companies Act 2006 and the Charity SORP 2015 issued by the EFA.

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

We acknowledge our responsibility as directors of the trust, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related and connected party transactions

We confirm that all related and connected party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of Academies Accounts Direction 2015 to 2016, the Companies Act 2006 and the Charity SORP 2015 issued by the EFA.

We have disclosed to you the identity of the trust's related and connected parties and all related and connected party relationships and transactions of which we are aware.

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the trust's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the Academies Accounts Direction 2015 to 2016, the Companies Act 2006 and the Charity SORP 2015 issued by the EFA, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

To the best of our knowledge there is nothing to indicate that the trust will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

There are no unadjusted misstatements.

Yours faithfully

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Signed on behalf of Lincoln Anglican Academy Trust

Appendix B – Draft audit report

Independent auditor’s report to the members of Lincoln Anglican Academy Trust

We have audited the financial statements of Lincoln Anglican Academy Trust for the Year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees’ Responsibilities Statement set out on page x, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors. This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust’s affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard 102, ‘FRS102’;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees’ Annual Report for the financial Year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Hoose (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date:

Appendix C – Draft regularity report

Independent Reporting Accountant’s Assurance Report on Regularity to the Governing Body of Lincoln Anglican Academy Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 28 July 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Lincoln Anglican Academy Trust during the period 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Lincoln Anglican Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Lincoln Anglican Academy Trust and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lincoln Anglican Academy Trust and the EFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of Lincoln Anglican Academy Trust’s accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Lincoln Anglican Academy Trust’s funding agreement with the Secretary of State for Education dated 1 September 2015 and the Academies Financial Handbook, extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession’s ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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 includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust’s income and expenditure.

A summary of the work we have undertaken is as follows:

- Planned our assurance procedures including identifying key risks;
- Carried out sample testing on controls;
- Carried out substantive testing including analytical review; and
- Concluded on procedures carried out.

Conclusion

In the course of our work, nothing has come to our attention, which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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Appendix D – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix E – Future Developments

ACADEMIES FINANCIAL HANDBOOK – EFFECTIVE FROM 1 SEPTEMBER 2016	How this may affect you
<p>Key changes from the previous edition (as extracted from the “2016 Academies Financial Handbook”)</p> <p><u>Governance</u></p> <ul style="list-style-type: none"> • Boards of trustees should identify the skills they need and address any gaps in their skills through recruitment or training • To align with the terminology used in the Governance Handbook, the trust’s publication of its governance structure and remit as its ‘scheme of delegation for governance functions • All trusts must have a senior executive leader who should also be appointed as accounting officer, and that these roles must not rotate • Trusts must publish the relevant business and pecuniary interests of their accounting officer regardless of whether they are a trustee. Local governors should be included when identifying relevant interests from close family relationships. • Trusts must use Edubase to notify the Department for Education (DfE) of the appointment and vacating of the positions of member, trustee, local governor in a multi-academy trust, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer. <p><u>Financial control</u></p> <ul style="list-style-type: none"> • Variances between budget and actual income and expenditure must be understood and addressed. • Exposure to investment products must be tightly controlled so that security of funds takes precedence over revenue maximisation. • Where there are concerns about financial management in a trust, the trust may be required to report information about its cash position to EFA. • There is a requirement, rather than a recommendation, for trusts to have a whistleblowing procedure. • Trusts should consider opting into the risk protection arrangement (RPA) unless commercial insurance provides better value for money. • Trusts must implement reasonable risk management audit recommendations that are made to them by risk auditors. • The audit committee’s oversight of its trust must extend to the controls and risks at its constituent academies, where the trust has them. Oversight must also ensure that information submitted to DfE and the EFA that affects funding is accurate and compliant. When considering a staff severance payment we are emphasising that trusts must satisfy the conditions in the handbook and obtain the required approval before. 	<p>The Academies Financial Handbook came into effect from 1 September 2016. Therefore you should ensure that these points are considered and implemented where applicable.</p>

General Charity Sector update which maybe applicable to the academy trust

1. CHARITY LAW UPDATE

CC3 – The Essential Trustee

CC3 is a very important guidance document published in July 2015 by the Charity Commission to help trustees to understand their legal duties (what trustees must do) and best practice to discharge their legal duties (what trustees should do). The level of public trust and confidence in charities is important for a healthy and well-functioning civil society. Public trust and confidence in charities is predicated to a considerable extent on the way in which trustees meet their legal duties and account for their legal and moral stewardship.

The Charity Commission expects Trustees to have read this document. The document can be obtained from: <https://www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3>

2. DATA PROTECTION

The Information Commissioner's Office (ICO) monitors compliance with the Data Protection Act and issued a warning that charities were potentially more susceptible to serious data protection issues because of the often sensitive nature of the (paper and electronic) data handled.

Cases have highlighted what the ICO termed "entirely avoidable" issues and resulted in significant (up to £200,000) fines for the charities involved. It is important to recognise that the wider use of data holding devices such as tablets and phones only increases this risk.

The ICO's top tips to avoid issues are:

- Communication;
- Training;
- Passwords;
- Encryption; and
- Retention.

The ICO provides some useful guidance for charities on its website:

<https://ico.org.uk/for-organisations/charity/>

3. CONFLICTS OF INTEREST AND LOYALTY

Trustees must not get into a position where their personal interests and those of the charity conflict, unless the conflict and any personal benefit are properly authorised and the conflict is managed effectively.

Trustees should be aware that conflicts which are not handled properly can damage a charity's reputation and also damage public trust and confidence in charities generally. Rightly, the Charity Commission takes this matter seriously and so should trustees.

The Charity Commission has prepared detailed guidance called Conflicts of interest: a guide for charity trustees (CC29). The link is:

<https://www.gov.uk/government/publications/conflicts-of-interest-a-guide-for-charity-trustees-cc29>

We have produced for our clients a model policy on conflicts of interest and loyalty, which includes a section on receiving gifts and hospitality and a register for recording these. Please let us know if you would like a copy.

4. EMERGING FRAUD RISKS

Trustees and management must continue to be aware of fraud risks within the organisation. A study undertaken by the Centre for Counter Fraud Studies estimated that fraud costs the large charity sector £1.65bn per year, representing 5% of the turnover of those charities sampled.

Examples of fraud to be alert to are shown below.

Supplier bank detail fraud

There has been increased fraud recently due to suppliers changing bank details. Your purchase ledger department receives a letter on what looks like official letterhead from your supplier requesting a change in bank details. A phone number is also provided on the letterhead to use to verify the change in details. Bank changes have been made in good faith by employees and the next payment is made to a diverted bank account.

We would suggest that when requests for these changes are made, that you do contact your supplier to check that their bank details have in fact changed. You should use the phone number you have on your system to contact the supplier, because the phone number listed on the letterhead will more than likely be linked to the fraudster. Staff should continue to be vigilant.

Email fraud

There have been a number of scams doing the rounds, whereby a company receives a fraudulent request to change a supplier's bank account details. Unfortunately, a number of businesses have fallen foul of these. This type of fraud is becoming increasingly sophisticated, with scammers using seemingly genuine email accounts, either by hacking them or by setting up very similar accounts.

An example case:

The financial controller of an organisation received an email, which appeared to be directly from the Chief Executive Officer, requesting payment be made urgently to a counterparty and providing the relevant bank details. The language used in the email was identical to that normally used by the CEO (somewhat direct and almost curt), thus arousing no suspicion. The financial controller queried the instruction by emailing the CEO, using his usual email address and his response confirmed the payment, which was duly made. The CEO's email had been hacked – his password being rather simple – and the funds had disappeared. The example was a reasonably sized corporation – with a dominant chief executive. Luckily that should not apply to charitable institutions.

Internal controls

Internal controls are really important to every organisation. They help to remove the opportunity to commit fraud. Most frauds are detected through a colleague being suspicious, often through internal control procedures being circumvented or records being incomplete or altered.

5. MODERN SLAVERY

The UK Parliament passed the Modern Slavery Act in March 2015 with the objective of consolidating and extending current offences relating to slavery and human trafficking.

This act is a milestone as, for the first time, the UK has a law that attempts to have companies take responsibility for behaviours that takes place in their supply chains, both in the UK and internationally. Whilst it is a domestic law it implicitly has extraterritorial measures.

However, this law is the first of several that are due and will be binding on UK entities of various sizes to demonstrate their respect for some, if not all human rights, both within their own corporate structure but also their supply chains.

Section 54 of the Act requires companies to prepare a slavery and human trafficking statement for each financial year. This is now also being referred to as the Transparency in Supply Chains Statement (TICS).

A TICS must be prepared for each financial year and is:

1. a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place:
 - I. in any of its supply chains; and
 - II. in any part of its own business; or
2. a statement that the organisation has taken no such steps.

The Act suggests that this statement may include information about:

1. the organisation's structure, its business and its supply chains;
2. its policies in relation to slavery and human trafficking;
3. its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
4. the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
5. its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate; and
6. the training about slavery and human trafficking available to its staff.

This statement must be signed by a director and approved by the Board and published in a "prominent" place on the company's website.

The above applies to many organisations, commercial and otherwise which belong to a group which has total annual turnover of more than £36 million. Whilst many charities will not fall into this category, there are potential compliance implications for them where they might deal with such organisations, given 1.1. above.

6. EMPLOYEE BENEFITS – RETAINING STAFF AND KEEPING COSTS DOWN

From April 2017 all employers with a payroll cost exceeding £3m will be required to contribute 0.5% of certain payroll costs to the Government's new Apprenticeship Levy. For an organisation with a £5m payroll, this represents an additional cost of £10k per year, being 0.5% of certain payroll costs above £3m. Organisations will be able to use their Apprenticeship Levy contributions to pay for apprentice training.

Costs subject to the 0.5% levy include salaries and bonuses. Costs such as pension contributions and benefits in kind are excluded, providing many organisations with a method of minimising the levy.

Charities should be aware of their employee benefit costs and potential savings, including risk benefits such as Death in Service cover plus lifestyle benefits such as childcare vouchers and gym schemes. It is important that plans provide best value for money, are appreciated by employees and do not create an administrative burden on the charity.

If a benefit health check has not been carried out recently we would recommend that one is done to determine whether cost savings can be made.