



Report to the trustees and summary of audit findings

Altrincham College of Arts

Green Lane

Timperley

Altrincham

Cheshire

WA15 8QW

Year ended 31 August 2014

Altrincham College of Arts - Report for the year ended 31 August 2014

1. Introduction

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 7 August 2014 in order to express an audit opinion for UK statutory purposes on the financial statements of Altrincham College of Arts for the year ended 31 August 2014.

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 Danielle Taylor, Finance Manager.

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 2014.

In addition to auditing the financial statements we also provide, through Steve Parker the following services to Altrincham College of Arts for the year ended 31 August 2014.

- Preparation of the statutory financial statements.
- VAT advice.
- Service level agreement and telephone support.
- Preparation of the EOYC return.
- Preparation of the Annual Accounts Return.

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.

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

Haines Watts charged £5,935 for audit of the academy and the Teachers' Pension Audit, £775 for completion of the Annual Accounts Return and £2,503 for other services.

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.

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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.

2.2 Audit approach and materiality

Our audit planning has taken account of the issues highlighted through a planning meeting with Danielle Taylor, together with our knowledge and understanding of the academy from previous years.

We confirm that there were no restrictions on the scope of our audit procedures.

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. Materiality is the value at which if errors, on their own or in aggregate, were uncorrected would result in a potential qualified audit opinion.

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 materiality level of £56,200.

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

2.3 Accounting policies

In preparing the financial statements of the academy, directors are required under FRS 18 to review the academy's accounting policies on an annual basis to ensure they remain appropriate to the academy's circumstances and are properly applied.

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

Under the revised requirements of the Accounts Direction the academy now capitalises non-trivial 'group purchases' that would previously have fallen below the capitalisation threshold when considered item by item.

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2.4 Significant findings

There are no matters that we feel need bringing to the attention of the Finance Committee 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:

Freehold Land	nil
Freehold Buildings	50 years
Furniture and equipment	7 years
Computer equipment and software	3 years

Local Government Pension Scheme - The academy'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 17 to the financial statements.

2.6 Funding position at 31 August 2014

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objects of the academy and are restricted to both the day to day running of the academy and capital expenditure. The balance carried forward on this fund excluding the pension reserve is nil. The balance of the fund including the pension reserve is (£532,000).

Restricted fixed asset funds are those funds relating to the long term assets of the academy used in delivering the objectives of the academy. The balance carried forward on this fund is £10,522,000. Additional analysis of this fund by nature has been provided to comply with the Accounts Directive.

Unrestricted fund are funds to which the governing body may use in the pursuance of the academy's objectives and are expendable at the discretion of the trustees. The balance carried forward on this fund is £848,000.

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2.7 Significant difficulties encountered during the audit

We did not encounter any significant difficulties during the audit.

2.8 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. 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 Accounts Directive.</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 will perform analytical procedures to ascertain whether the salary costs for the year are 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>
<p>FRS 17 Accounting for Pensions</p> <p>Treatment of the academy'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 17 pension valuation as at 31 August 2014 and assessed the disclosures and accounting entries made by the academy.</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 17 and the sector standard as set out in Financial Handbook.</p>	<p>Pension deficits are not materially mis-stated and are adequately disclosed in the financial statements.</p>

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4. Report of significant weaknesses in internal control

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.

There are no matters which we wish to bring to your attention.

Rating	Description
(H)igh	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.
(M)oderate	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.
(L)ow	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.

- It was noted during the audit that one of the trustees' spouse runs a taxi firm, which is used for transporting pupils. Transactions are at an arms length, but not on a not for profit basis. The trustee has resigned post year end (L).
- It was noted during our audit work that in one instance the data on the pecuniary interests recorded by the trustees was not fully up to date when compared to Companies House. We suggest that the individual involved be contacted to this end. The academy had no transactions with this omitted company during the year (L).

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.

There were no recommendations in the previous year.

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6. Regularity

We set out below any regularity, propriety and compliance matter 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).

There are no matters which we wish to bring to your attention.

“To Know
To Care
To Live”



Altrincham
College of Arts
(An 11-18 Academy)

8 December 2014

Mr J Whittick
Partner
HW Chartered Accountants
Bridge House
Ashley Road
Hale
WA14 2UT

Dear Mr Whittick

We acknowledge receipt of Haines Watts Report to the Trustees and Summary of Audit Findings in relation to Altrincham College of Arts and note the two points raised. We are pleased to confirm that point one has already been dealt with and we will request that the trustee mentioned in point 2 brings her pecuniary interest declaration up to date.

If you need any further information, please do not hesitate to contact me.

Yours sincerely

Peter Brooks
Accounting Officer



Headteacher: Mr P. Brooks, M.Sc Deputy Head: Mr A Brennan, Grad.Dip.

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