



Chartered Accountants
Local Matters. National Strength.

Report to the trustees and summary of audit findings

Altrincham College of Arts

Green Lane

Timperley

Altrincham

Cheshire

WA15 8QW

31 August 2013



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 22 August 2013 in order to express an audit opinion for UK statutory purposes on the financial statements of Altrincham College of Arts for the period ended 31 August 2013.

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. Financial Statement Adjustments

2.1 Processed adjustments

The net movement in funds for the year within the management accounts showed a surplus of £1,100,596 including school funds.

As part of the year end process the following adjustments have been made to the financial statements, resulting in a net surplus £11,746,379 before pension valuations, which includes restricted fixed assets movements from the valuation of the property, fixed asset additions and depreciation there of £10,589,403. The surplus on ordinary activities after the movement in pension valuations is £11,479,379.

See appendix 1 to this report.

2.2 Unadjusted audit errors

We are required to report to you all misstatements identified during the audit, other than those that are clearly trivial, and to request that management correct them.

We have taken clearly trivial as being less than £1,000.

There were no uncorrected misstatements.

3. Summary Financial Statements

GAG position

The academy is not subject to any GAG carry forward limits.

Capital and other grants

Capital grants comprise Devolved Formula Capital grants from the EFA.

Local authority grants are in respect of PE Grants and Pupil Premium.

The main component of other DfE / EFA grants is Pupil Premium income of £213,553.

Expenditure

This is the first period of activity for the academy. Key features are as follows.

Staff costs as a whole are in line with expectations based on the number of staff and average salaries when compared to other similar sized academies.

Generally other costs are in line with expectation.

The main spend included in repairs and maintenance relates to a roof refurbishment and refenestration project.

Summarised income and expenditure account

A summarised income and expenditure account is attached as appendix 2 to this report.

Balance Sheet

Fixed assets

Property additions totalled £10,487,629 in the period. This was all inherited on conversion based on depreciated replacement cost.

Fixture and fittings additions in the period totalled £159,571. This included £114,300 inherited on conversion based on depreciated replacement cost valuation.

Computer equipment additions in the period totalled £195,945. This included £184,609 inherited on conversion based on depreciated replacement cost valuation.

3. Summary Financial Statements (continued)

Debtors

Trade debtors amounted to £1,036. This was immaterial to audit.

VAT recoverable amounted to of £62,974 of which £50,998 related to the August refund, with the remainder being unclaimed VAT on trade creditors which will be reclaimed in September.

Prepayments and accrued income amounted to £384,014 which included £235,857 of income accrued in respect of funding for the roof and refenestration projects due from the Academies Capital Maintenance Fund. There was also £42,525 due from the EFA in respect of pupil premium relating to July and August 2013. The remaining amount of accrued income totalled £37,329. Prepayments totalled £68,302, of this the significant prepayments included £10,770 in respect of rates and £8,995 in respect of IT licences.

Bank

Cash at bank amounted to £1,060,622 at the period end.

Surplus funds have been placed into deposit accounts with fixed maturity dates.

Creditors

Trade creditors totalled £84,843 at the period end. This mainly consisted of non-recurring expenditure incurred over the summer.

Accruals and deferred income amounted to £266,828 at the period end. £10,683 of this related to deferred income which was immaterial to audit. £256,145 of the balance related to accruals mainly in respect of costs due for refurbishment work carried out over the summer. These accruals totalled £198,359.

Pension scheme liability

LGPS pension liability provision was £267,000 based on an actuarial report by Hymans Robertson.

A balance sheet is provided as appendix 3 to this report.

4. Statutory Audit Communication

4.1 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 period ended 31 August 2013.

In addition to auditing the financial statements we also provide, through Steve Parker, the following services to Altrincham College of Arts for the period ended 31 August 2013.

- Preparation of the statutory financial statements
- VAT advice
- Service level agreement and telephone support
- Preparation of the annual accounts return
- Maintenance of statutory books

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.

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 with 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>
Annual Accounts Return	<p>Prepared by a separate individual from those who have audited the financial statements</p>
Maintenance of statutory books	<p>Maintained by a separate individual from those who have audited the financial statements</p>

HW Chartered Accountants has charged £5,750 for the audit of the academy, £1,800 for the Service Level Agreement, and £1,850 for Accounts Return to 31 March 2013.

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

- HW Chartered Accountants, 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.

4.2 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 academies 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 5 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 £61,600.

As per section 2.2 there were immaterial uncorrected errors or omissions in isolation or aggregate.

4.3 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.

4.4 Significant findings

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

4.5 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. This has been based on an appropriate % of the insurance valuation based on similar academies in the local area.

The estimated valuation for the purposes of calculating depreciation has been based on valuations for other similar academies in the local area.

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	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 25 to the financial statements.

4.6 Funding position at 31 August 2013

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 is £117,000.

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 £10,589,000.

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 Governors. The balance carried forward on this fund is £1,007,000.

4.7 Significant difficulties encountered during the audit

We did not encounter any significant difficulties during the audit.

4.8 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 period 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.

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

4.9 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.

4.10 Audit opinion

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

5. Report of Significant Weaknesses in Internal Control

5.1 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
(H)igh	Should be urgently attended to by the directors and management.
(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.

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

5.2 High risk 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 performed 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 2013 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>

6. Appendix – Technical Update

A new Charity SORP was in its consultation phase and this ended on 4 November 2013. The New SORP is due to take effect for financial years starting on or after 1 January 2015.

FRS 102 which replaces all existing FRSs with the exception of FRS27 also comes into force for financial years on or after 1 January 2015. Changes that affect academies may include the requirement to calculate holiday pay accruals, possible changes in the classifications of finance leases to operating leases and an option to recognise grant income on a systematic basis over the life of the grant.

The Academies Finance and Assurance Steering Group are already due to look at the Accounts Direction for next year which is due May 2014. In addition, the steering group are to look at the Accounts Return and Budget Forecast Return and to look at the work around the regularity assurance. A Benchmarking review is being undertaken and is due by June 2014. This data may be useful and the assumptions of expectant criteria used in assessing an academies performance would be useful if this is also published. Finally the Steering Group is looking at the possibility of an academies specific SORP.

Altrincham College of Arts

Funds reconciliation

Period ended 31 August 2013

APPENDIX 1

	School Fund £	Restricted Funds £	Unrestricted Funds £	Fixed Asset Funds £	Pension Fund £
Per RMS Reports	0	112,308	960,261	0	0
Per Tucasi	28,027				
Start up grant in old school		25,000	(25,000)		
Introduction of assets from old school				10,786,538	
Depreciation of assets				(254,742)	
Expense met for academy from old school		(52,421)	52,421		
Introduction of school fund	(27,080)		27,080		
Net income/expenditure on school fund	(947)		947	(6,281)	
Creditors in school fund				884	
School fund debtors					
LGPS deficit					(267,000)
Classify Dfc as capital income		(18,276)			
Fixed assets additions		57,607		57,607	
Disclosure in unrestricted not restricted:					
Other donations		(907)	907		
Hire of facilities		(32,107)	32,107		
Other income		(21,036)	21,036		
Educational trips expenses		7,912	(7,912)		
Adjustment for repairs cost re AMCF/VAT		61,983			
Transfer of expenditure between funds		9,000	(47,000)		
Sundry bibs and bobs	(0)	148,857	1,009,449	10,589,403	(267,000)
Per accounts	0	150,000	1,007,000	10,589,000	(267,000)

ALTRINCHAM COLLEGE OF ARTS
STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT
AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD ENDED 31 AUGUST 2013

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total 2013 £000
Incoming resources				
Incoming resources from generated funds:				
Voluntary income	1	-	-	1
Transfer from local authority on conversion	1,006	(284)	10,787	11,509
Activities for generating funds	144	181	-	325
Investment income	1	-	-	1
Incoming resources from charitable activities:				
Funding for the academy's educational operations	-	5,997	18	6,015
Total incoming resources	1,152	5,894	10,805	17,851
Resources expended				
Charitable activities:				
Academy's educational operations	98	6,053	254	6,405
Governance costs	-	20	-	20
Total resources expended	98	6,073	254	6,425
Net incoming/(outgoing) resources before transfers	1,054	(179)	10,551	11,426
Gross transfers between funds	(47)	9	38	-
Net income/(expenditure) for the period	1,007	(170)	10,589	11,426
Other recognised gains and losses				
Actuarial (losses)/gains on defined benefit pension schemes	-	53	-	53
Net movement in funds	1,007	(117)	10,589	11,479
Reconciliation of funds				
Funds brought forward to 10 July 2012	-	-	-	-
Funds carried forward at 31 August 2013	1,007	(117)	10,589	11,479

All of the academy's activities derive from acquisitions in the current financial period.

A statement of total recognised gains and losses is not required as all gains and losses are included in the statement of financial activities.

ALTRINCHAM COLLEGE OF ARTS
BALANCE SHEET

AS AT 31 AUGUST 2013

	2013 £000	2013 £000
Fixed assets		
Tangible assets		10,589
Current assets		
Debtors	448	
Cash at bank and in hand	1,061	
	1,509	
Creditors: Amounts falling due within 1 year	(352)	
Net current assets		1,157
Total assets less current liabilities		11,746
Net assets including pension liability		
Pension scheme liability		(267)
Net assets including pension liability		11,479
Funds of the academy:		
Restricted funds		
Fixed asset fund(s)		10,589
General fund(s)		150
Pension reserve		(267)
Total restricted funds		10,472
Unrestricted funds		1,007
Total funds		11,479