



Report to the trustees and summary of audit findings

The Hamblin Education Trust

Year ended 31 August 2019



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 2019.

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 2019.

In this report, we present the key findings from our audit, together with a commentary on the significant matters arising. The matters that have been reported are limited to those deficiencies identified during the audit which we have concluded are of sufficient importance to bring to the attention of those charged with governance.

This report has been discussed comprehensively and agreed with Juliette Jackson (CFO).

This report has been prepared for the sole use of the trustees of The Hamblin Education Trust. We understand that you are required to provide a copy of this report to the Education & Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, no reports may be provided to third parties without our prior consent. Consent is, and will only be, granted on the basis that such reports are not prepared with the interests of anyone other than the academy in mind and that we accept no duty or responsibility to any other party. No responsibilities are accepted by Haines Watts towards any party acting or refraining from action as a result of this report.

We would like to express our thanks to all members of the academy trust's staff who assisted us in carrying out our work.

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 2019.

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 2019:

- Preparation of the statutory financial statements.
- Audit of the EOYC return.
- Preparation of the Annual Accounts Return.
- Assistance via service level agreement
- Corporation tax advisory and compliance services
- Payroll services

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	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.
Assistance via service level agreement	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.

The Hamblin Education Trust
Summary of audit findings for the year ended 31 August 2019

Haines Watts charged £1,450 for completion of the Annual Accounts Return, £9,381 for payroll services and £4,632 for other services.

Haines Watts charged £11,800 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 2018 to 2019.
 - Academies Financial Handbook 2018.
 - Statement of Recommended Practice, Accounting and Reporting by Charities (FRS 102).
 - Applicable accounting standards.
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The Hamblin Education Trust
Summary of audit findings for the year ended 31 August 2019

2.2 Audit approach and materiality

Our audit planning has taken account of the issues highlighted through discussions with Juliette Jackson, 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 2019 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 £101,510 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.

2.4 Significant findings

There are the following matters that we feel need bringing to the attention of the trustees:

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:

Leasehold/Freehold land	nil
Leasehold/Freehold buildings	50 years straight line
Fixtures, fittings & equipment	4 years straight line
Computer equipment	3 years straight line
Motor Vehicles	4 years straight line
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.

The Hamblin Education Trust
Summary of audit findings for the year ended 31 August 2019

2.6 Funding position at 31 August 2019

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 £2,412,000, being £Nil general funds less the pension deficit of £2,412,000.

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 £13,138,000. 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 £609,000.

Individually, the general reserves carried forward excluding pension deficits and fixed assets in Altrincham Grammar School for Boys and North Cestrian School are £1,127,000 and a deficit of £325,000 respectively.

The Hamblin Education Trust
Summary of audit findings for the year ended 31 August 2019

2.7 Reconciliation of audited surplus/deficit

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

	£'000
Surplus/(deficit) per the draft trial balance	(86)
Audit adjustments:	
North Cestrian School (appendix 1)	(191)
Altrincham Grammar School for Boys (appendix 2)	(456)
The Hamblin Education Trust (appendix 3)	21
Rounding	(4)
Surplus/(deficit) per financial statements	<u>(716)</u>

There are uncorrected misstatements totalling £42,000 as set out in the appendix.

The Hamblin Education Trust
Summary of audit findings for the year ended 31 August 2019

2.8 Significant difficulties encountered during the audit

The following difficulties were encountered during the audit:

- Intra-School accounts did not reconcile.

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.

2.10 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.

2.11 Audit opinion

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

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>

The Hamblin Education Trust

Summary of audit findings for the year ended 31 August 2019

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 2019 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>

The Hamblin Education Trust

Summary of audit findings for the year ended 31 August 2019

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 related 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>

The Hamblin Education Trust

Summary of audit findings for the year ended 31 August 2019

Issue	Audit risk	Audit procedures undertaken	Conclusion
<p>Fixed asset valuation and impairment</p>	<p>Where CIF projects are on-going, that these costs are capitalised and recognised as assets under construction appropriately.</p> <p>Compliance with FRS102 in carrying out impairment reviews where impairment indicators arise, such as going concern.</p>	<p>We have performed cut off testing on capital projects on-going around the year end.</p> <p>We have considered whether any impairment indicators have arisen in the year and assessed the need for an impairment review.</p> <p>We have physically verified assets brought forward in the financial statements. We have verified a sample of asset additions to supplier invoices.</p>	<p>The ongoing CIF project has correctly been categorised at assets under construction.</p> <p>There are no indicators of impairment.</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.

The Hamblin Education Trust

Summary of audit findings for the year ended 31 August 2019

	Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
1	The information regarding trustee meetings on trust website is not up to date. The last meeting listed is 03/07/18.	The trust is not complying with the Academies Financial Handbook 2018 paragraph 2.10.1	Low	That the website is kept up to date within a reasonable time period.	Juliette Jackson	06/12/2019
2	Four of the Trustees omitted to note their directorships of other entities on their pecuniary interest declaration.	This could lead to unidentified related party transactions.	Low	That all business interest are included on pecuniary interest funds.	Juliette Jackson	06/12/2019
3	The members are not correctly listed at Companies House	This could lead to unidentified related party transactions.	Low	That companies House is updated immediately	Juliette Jackson	06/12/2019
4	Bank reconciliations throughout the year have not been fully reconciled and are not being reviewed and authorised by a second more senior person.	Bank reconciliation are not correct.	Low	Bank reconciliations are done fully and reviewed by an appropriate senior member of staff.	Jenny Brennan	06/12/2019
5	Intra-School accounts did not reconcile at the year end	The management accounts throughout the year and year end accounts are not accurate	Medium	That the Intra-School accounts are reconciled each month.	Jenny Brennan	06/12/2019

The Hamblin Education Trust

Summary of audit findings for the year ended 31 August 2019

Audit finding	Potential effect	Priority	Recommendation	Responsible Owner	Implementation Date
6	The management accounts throughout the year and year end accounts are not accurate for each entity	Low	That No transactions are posted directly from one school (Or the HET codes) to another	Jenny Brennan	06/12/2019
7	No internal audit carried out during the year. Not enough internal scrutiny is being displayed. Next year this will contravene section 3.1 of the 2019 Academies Financial Handbook	Low	That a programme of internal scrutiny is implemented.	Juliette Jackson	06/12/2019

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.

Observations in 2018	Update in 2019
<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>	<p>A fixed asset schedule is now kept and updated annually after the audit.</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.</p>	<p>While this information is on the website it dates back to the 2017-2018 financial year and should be more up to date.</p>
<p>Unspent 16-19 bursary funds were in excess of £24,000 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>	<p>The bursary fund is now being spent accordingly.</p>
<p>During our testing of credit card expenditure and petty cash expenditure it was noted that alcohol had been purchased in North Cestrian School. We advise that the purchase of alcohol is prohibited by the Academies Financial Handbook.</p>	<p>No alcohol has been found to have been purchased this year.</p>
<p>Five of the trustees omitted to note their directorships of other entities on their pecuniary interest declaration.</p>	<p>Four Trustees have still omitted some of their interests on their pecuniary interest forms.</p>

Observations in 2018	Update in 2019
<p>During the course of our audit work on expenditure it was noted that there were cases of ordering not being formally documented. In most of these cases this was because the expenditure was of a recurring nature. 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>	<p>No instances of ordering issues were found this year.</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 Head teacher 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
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Hale
Cheshire WA14 2UT

12 December 2019

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 31st August 2019.

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 medium risk highlighted in relation to the Intra School Accounts not reconciling at the year end. We are working to address this management point and implement the recommendations that have been given which now include:-

- Full Month End reconciliation of Intercompany Accounts
- Secondary approvals on reconciliations

In addition we continue to work on improving the accuracy and timing of the recording of declarations of pecuniary interests on the Schools' websites. Whilst we have introduced steps to ensure we have the correct information available as required we continue to work on a more robust process for collating the necessary information.

Yours sincerely



T. J. Gartside
Accounting Officer