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NORTHERN EDUCATION TRUST

Final Audit Findings Report

Year ended 31 August 2016

Presented to the Trust Board
By RSM UK Audit LLP

on 17 November 2016



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1 INTRODUCTION AND COVERAGE

This report summarises our key findings in connection with the audit of the financial statements of Northern Education Trust in respect of the year ended 31 August 2016.

The scope of our work has already been communicated to you via our Audit Plan document dated 9 September 2016.

A summary of adjusted and unadjusted misstatements identified during the audit has been prepared and is included in Section 4.

We consider that the audit approach adopted will provide the Governors or Trustees with the required confidence that a thorough and robust audit has been carried out.

We can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

2 AUDIT, REGULARITY AND ACCOUNTING ISSUES IDENTIFIED AT PLANNING STAGE

Northern Education Trust

Management override of controls

Key area of audit focus Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk.

Our approach We will test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements, tracing selected entries back to source documentation.

We will review significant accounting estimates and policies which could involve bias resulting in a material misstatement.

We will discuss the basis and business rationale for any significant non-routine or contentious transactions which come to our attention during the course of our work.

Response We have performed a review of journal entries recorded and for all items selected the appropriate backing documentation was available.

No significant accounting estimates or policies involving bias were identified during the course of the audit.

No significant non-routine or potentially contentious transactions were identified during the course of our audit work.

First year adoption of Charities SORP 2015

Key area of audit focus The financial statements for the year ending 31 August 2016 will be prepared under the Charities SORP 2015 for the first time. Comparative figures (for the year ended 31 August 2015) will also require restatement.

Under International Standards on Auditing ('ISA'): 315 a recent significant accounting development with increased risk of accounting error is regarded as indicative of a significant risk, requiring specific attention. We will need to consider the Trustees' assessment of the impact on the Academy Trust's financial statements.

First year adoption of Charities SORP 2015

Our approach

We will review the appropriateness of accounting policies adopted in compliance with the Charities SORP 2015.

We will review the document approved by the trustees detailing the choices made on certain accounting policies.

Detailed review of the balance sheet on transition date (1 September 2014) and the restatement of the 2015 comparative statement of financial activities and closing balance sheet position, considering areas for calculation and disclosure in compliance with the new requirements.

Detailed overall review of the disclosures within the financial statements.

Response

We have reviewed the appropriateness of accounting policies adopted and compliance with the Charities SORP 2015.

We have carried out a detailed review of the balance sheet at transition, along with the additional disclosures required.

The building at Grangefield required impairment due to a change in the estimate of its useful economic life, which became apparent during the FRS102 transition. This adjustment has been included in section 4 of this document.

As such, we are satisfied that first year adoption of Charities SORP 2015 has been accounted for appropriately in the financial statements.

Retirement benefits

Key area of audit focus

The FRS 102 Section 28 pension liability is a significant balance sheet item and represents the Academy Trust's share of the Local Government Pension Scheme. The amount recognised is based on a valuation undertaken by an actuary. The actuary also provides the disclosure for inclusion in the financial statements.

There is a risk that the amount may be materially misstated where the data and assumptions used are not appropriate.

Our approach

We will obtain and review a copy of the FRS 102 Section 28 actuarial valuation prepared by the actuary and undertake procedures to determine our ability to rely on their work.

We will undertake a review to ensure that the Academy Trust's management have checked the data and considered the assumptions used by the actuary in preparing the FRS 102 Section 28 valuation. We will also review the disclosures in the financial statements.

Response

The FRS 17 actuarial valuation has been obtained and scrutinised. The assumptions used in the valuation appear to be valid and the actuary, who produced the report, suitably experienced and qualified.

Income recognition

Key area of audit focus

The Academy Trust receives significant levels of grant funding and this should be recognised in accordance with the Charities SORP 2015 recognition criteria and per the underlying funding agreement.

Our approach

The accounting policies adopted by the Academy Trust will be reviewed, considering the guidance available in Charities SORP 2015 and the recognition criteria of entitlement, certainty and measurement.

A review of grant funding agreements will be performed to determine whether the associated income has been recognised when appropriate.

Through discussion with management and review of minutes we will identify any unexpected one-off sources of income, and ensure the associated treatment is appropriate.

Response

We have reviewed the accounting policies adopted by the Academy Trust, and confirm that they are in accordance with the Charities SORP 2015.

Our testing on income highlighted a couple of instances of EFA 16-19 Bursary income and expenditure being incorrectly recognised through the SOFA. This does not meet the revenue recognition criteria contained in the Charities SORP 2015, of entitlement, measurement and probability, and consequently should not be recognised in the financial statements. These journals are included within Section 4 of this report.

Our discussions with management and review of minutes did not identify any one-off unusual sources of income.

In summary, we are satisfied that income has been accounted for appropriately in the financial statements.

Fund accounting

Key area of audit focus

The majority of the Academy Trust's income streams have specific terms and conditions attached, governing the use and application of the funding. Accordingly, there is a risk that restricted funds could be incorrectly recognised and disclosed.

Our approach

We will consider whether suitable procedures are in place for identifying sources of restricted income and monitoring their subsequent use.

We will review a sample of income and expenditure disbursed from restricted funds to ensure the funds have been utilised in accordance with their restricted charitable purpose.

Fund accounting

Response

Our enquiries whilst undertaking the audit confirmed that management have a good understanding of fund accounting.

However, it was identified during our testing that the restriction placed on funds is not being monitored as part of the monthly management accounts and budget forecasts preparation. We recommend that additional processes are implemented to monitor the spending of restricted income more closely.

All significant sources of income have been reviewed and have been recognised in the correct fund.

Going concern

Key area of audit focus

It is the responsibility of Trustees' to assess the ability of the Academy Trust to continue as a going concern for a period of not less than twelve months following the anticipated date of sign off. Given the current economic climate and in particular the pressure on government spending this is a key area of focus.

In addition to performing a review of management's operational budgets and forecasts, consideration will also be given to the Trustees' assessment of the LGPS deficit and the ability of Northern Education Trust to meet the current and future funding obligations in respect of the scheme(s).

Our approach

We will review management's budgets and forecasts covering a period of at least twelve months from the date of sign off and challenge the reasonableness and attainability of key underlying assumptions as appropriate.

We will review the appropriateness of accounts disclosures in accordance with the guidance issued by the Financial Reporting Council ("FRC") as regards going concern and seek representations from Trustees' as required.

Going concern

Response

As part of our going concern considerations, we have considered the following key areas:

- Academy budgets;
- 16/17 cash flow forecasts;
- Assumptions underpinning the forecasts;
- Comparison to the post year end management accounts to date;
- Relationship with the regulator;
- Latest Ofsted inspections.

Management take a prudent approach to budgeting and work to a 'worst case' position. It was noted that four of the academies were forecasting a deficit in reserves at some stage in the next three years. Management have provided detailed information as to how this is being addressed through budget clinics to ensure that all academies have surplus funds going forward.

Management has undertaken significant work surrounding going concern to ensure that the directors have sufficient evidence to support the going concern statement included within the financial statements. More specifically, by their review of the next three years, we are satisfied that directors have sufficiently considered the appropriateness of the going concern basis of presentation adopted in the financial statements.

3 AUDIT AND ACCOUNTING ISSUES IDENTIFIED DURING THE AUDIT AND REGULARITY WORK

Financial Statements Audit Findings

IT – Disaster Recovery Plan

Issue	The Trust has a generic plan provided by Civica, however, this is not tailored to any degree for the specific requirements of the organisation.
Resolution	We recommend that a bespoke plan is developed, specific to the Trust's circumstances.

Buildings

Issue	<p>During the year the need for an impairment to be applied to the old Grangefield school building vacated during the period, was identified.</p> <p>The Trust has commissioned valuation reports prepared for Dyke House and the Ferns. As part of our audit procedures we reviewed these independent valuations and found that the market value for the Dyke House buildings was significantly less than the book value included in the fixed asset register, thereby suggesting that impairment is required.</p>
Resolution	<p>During the year and utilising the transitional provisions of FRS102, an impairment has been applied to the carrying value brought forward in relation to the old school building at Grangefield.</p> <p>An impairment charge has been included within the financial statements to adjust the carrying value of the Dyke House buildings in line with market value.</p>

Consolidation

Issue	There were balances included in accrued income and accruals at the year-end that related to the schools in the trust. The balance sheet was overstated in relation to these balances.
Resolution	Adjusted have been made in the financial statements as required. Such amounts should be eliminated from the monthly consolidated management reporting to facilitate meaningful monitoring add comparison between periods.

Related Party Transactions

Issue

As part of our testing on related parties we have noted that there were two sales invoices raised from Mount Pellon to Locala Community Partnerships for £4,000, in relation to Mount Pellon's year 6 residential trips. Mark Sanders is a Trustee of the Academy Trust and Chairman of the Locala Community Partnerships. A disclosure is required to this effect which includes details of the relationship, the transaction details and the fact that an amount was outstanding at the year end.

Resolution

We would recommend that additional steps are put in place to ensure that sundry income, as in this case, and purchases are checked against declarations of interest to ensure all related party transactions are identified and financial regulations followed accordingly.

Regularity Audit Findings

Trustees and members interests and management of conflicts

Issue

From our review of the policies and procedures in this area we would recommend the following updates:

- Procurement guidelines be updated to ensure that before any procurement process is started, the list of central and local trustees' business interests are reviewed to ensure no related party transactions are unintentionally entered into;
- Employment policy be followed in the event that a related party of a board member is considered for employment;

We have also noted that North Shore and Kearsley have not published their Governors' conflicts of interest on their website.

Resolution

We would recommend that the policy be amended to cover the points highlighted and that management remind all academies to ensure the conflicts of interest are published on their websites.

Staff interests and management of conflicts

Issue

From our review of the policies and procedure in this area we recommend that the policy be updated as follows:

John Taylor, John Black and Sarah Harty, who undertake procurement related work, complete conflicts of interest forms so that the trust is aware of any potential conflicts during tender processes.

We have also noted that a conflicts of interest declaration was not completed by Helen Clegg (Director of Primary Education) for the year and there were no other historic forms kept on file.

Staff interests and management of conflicts

Resolution

We recommend that management remind all parties of the importance of completing on a timely basis staff declarations of interest.

Travel Policy

Issue

CENTRAL

During our testing we identified a number of occasions where the directors have used first class travel. The travel policy permits the use of first class travel for journeys of longer than 2 hours duration whether working is undertaken during the journey or not. In practice first class travel is only used for journeys to London, which exceed 3 hours, a journey length for which the use of first class travel might be deemed reasonable.

Resolution

The policy should be updated to direct that first class travel be used only for journeys of a duration to be determined and in line with public expectations in this area or where justifiable by virtue of the need to be able to work whilst travelling.

Charge and purchase cards

Issue

KEARSLEY

One instance was noted of a staff gift being purchased by card, costing more than the £35 policy limit. The purchase was not supported with any backing documentation to evidence its authorisation.

NORTH SHORE

There were three instances of purchases on the head teacher's charge card to Domino's Pizza where no supporting documentation had been obtained or retained on the purchase file. As a result we were unable to review their authorisation. These purchases were for a total amount of £330 and took place during April and May 2016.

THOMAS HEPBURN

During the period where finance managers were in transition, it was noted that a number of invoices were not correctly authorised before posting and payment being made

Resolution

All purchases should be supported by backing documentation retained on file.

As per the policy, all purchases should be approved and authorised before posting and payment is made.

Petty cash

Issue

NORTH SHORE

There have been instances of regular petty cash payments being made for flower arrangements at the front of the school, where no authorisation on the petty cash slips have been recorded.

THE FERNS

There was an instance where a staff member made 12 petty cash requests, all under the £20 policy limit on the same day. The total of these claims totals £197 and were raised on 26/2/16 for lesson supplies. Although this does not breach the letter of the policy, it is not in line with the principle that petty cash spend be minimised and controlled.

There was a cash payment during the year of £190.20 to the chair of Trustee's for the school. This was to pay an invoice to a company that the trustee is employed by, for work done on the school's display unit in the school hall. The payment was made from petty cash and was in excess of the £20 payment policy. The payment was authorised by the business manager who, being the wife of the trustee was in breach of the trust's policy regarding the authorisation of payments to trustees and the management of potential conflicts of interest.

CENTRAL

There was an instance during the year where expenditure incurred for the Finance Director's taxi fare was authorised by a member of the finance team and not another member of the senior management team. The expenditure incurred was £8. There is no specific policy on how items of expenditure of this nature be authorised, however we would recommend that any senior management expenditure be authorised by either a trustee or other senior director.

There were two instances identified where refreshments for Trust meetings were claimed for out of petty cash which exceeded the £20 policy limit. They totalled £28.90 and £24.29 and were for Union and CCG meetings. These claims took place in October 2015 and April 2016 respectively. The claims were made by the Executive Officer and Contract Manager.

Resolution

As per the policy all purchases should have prior approval and authorisation.

As per the petty cash policy, payments should not exceed £20; this should represent the total transactions and not be split between multiple payments for the same purchase.

Purchases should be monitored against declaration of interest forms to ensure that authorisation of payments are made in line with policy.

We recommend that the policy is updated to reflect the required authorisation for purchases made by Directors.

Procurement

Issue

POLICY

From review of the procurement policy in the financial regulations we have noted that there are no procedures or guidelines on checking connected entities and possible conflicts of interest before entering into a transaction. We have also noted that there is no preferred supplier list in place.

VARIOUS ACADEMIES

There were several instances during the year where academies were not adhering to the procurement policy. This point applied to various academies and therefore we have included a summary table below:

Academy	Cost of purchases	Number of purchases	Action that should have been taken
Kearsley	£1,000-£4,999	15	Three verbal quotes
Thorp	£1,000-£4,999	11	Three verbal quotes
The Ferns	£1,000-£4,999	12	Three verbal quotes
North Shore	£5,000-£10,000	4	Three written quotes
Central	£1,000-£4,999	6	Three verbal quotes

Other transactions that we specifically looked into were as follows:

KEARSLEY

There was a purchase for repairs work to the school sports hall for £2,196 from Sport Halls & Gymnasium Ltd. Three verbal quotes were not obtained for this work and the school's usual contractor was contracted for the work. This is of breach of the set policy where three verbal quotes are required.

DYKE HOUSE

There was an instance where school leaver hoodies were obtained during the year for £1,572 from Aztec Printwear and Promotions Ltd. There was no verbal quote obtained per the procurement policy.

THOMAS HEPBURN

During the year there was a project for repairs to be made to the school's sports hall. This totalled a cost of £12,500 which was completed by Gateshead Council. Three written quotes were not obtained for this work as required by the procurement policy.

During the year there were additional repairs made to the hand dryers and convector heaters in the school by the Council at a cost of £10,000. Three written quotes were not obtained for this work per the policy.

Procurement

Resolution

We would recommend that a set procedure is put in place to ensure that all related and connected parties to the school and trust are checked before being included in a tendering process. We also recommend that a preferred supplier list is established.

We recommend that management reiterate the policy to school business managers in relation to all purchases in the range £999 to £10,000, i.e. three verbal and written quotes must be obtained and documented on Corero as evidence of value for money having been considered.

Income and charging

Issue

THOMAS HEPBURN

From a review of the agreed price list we have noted that there have been some inconsistencies in relation to the prices which have been charged to users of the building during the year. We had noted that Wrekenton Badminton Group who book the sports hall every Friday for an hour and a half were paying £25 per session, instead of £45 per session.

NORTHSHORE

From a review of the income and charging policy at North Shore we have noted that there has been no inclusion of the pricing and charging set for external facility bookings and how these are set.

Resolution

We recommend that sports hall bookings are in line with agreed price listings. If any variation is considered these should be by separate agreement.

We recommend for the policy to be reviewed and updated to include the points noted.

Policies

Issue

FRAUD AND DETECTION POLICY

Our review of the fraud policy has noted that it does not consider the following points:

- There is no guidance on likely vulnerable transactions. There is also no guidance on the controls required to identify and detect these areas. An example would be that there is no mention that school trips are high risk when students pay in petty cash, as they can give this straight to the staff leader of the trip.
- There is no inclusion of what the EFA limits are when they would be notified of a fraud. See section 4.8.2 in the EFA financial hand book.
- There is no detailed guidance for staff on the possible motivations for

Policies

fraud and how this may be committed and concealed. Per the EFA guidance it is recommended that the EFA fraud indicators check list is incorporated into the policy.

FINANCIAL MONITORING PROCEDURES

Our review of the financial monitoring policy has noted that it does not consider the following points:

There is no inclusion of cash flow forecasting. Per the EFA regularity guidance we would recommend that cash flow forecasting is used within the management accounts to identify any time periods where there might be a cash shortage.

Resolution

We recommend that the policies are updated for the above points.

Financial regulations and procedures manual

Issue

From our testing of the financial hand book approved in November 2015 we have noted that it has not been updated for the new EFA guidelines dated 1 September 2015, comprising the following:

- Delegated limits on the amounts of debt that can be written off and the liabilities entered into. The ceiling limit is £250,000.

Resolution

We recommend that the financial regulations be updated to reflect the above and presented to Trustees for approval.

Risk Register

Issue

During our review of the risk register for the central trust we noted that there is no inclusion of the risk relating to fraud and theft. Per the recommendation of the EFA, the risk register should be linked into the fraud policy and how the trust is to prevent and detect possible fraud and theft.

Resolution

We recommend that the risk register is updated to include risk relating to fraud and theft.

Contingency and business continuity plans

Issue	We have noted that Kearsley, North Shore and Thomas Hepburn did not have policies for the logging of valuable equipment.
Resolution	There should be plans for the logging of valuable equipment.

Trustees' expenses

Issue	From our testing of trustees' expenses we were unable to review an item of expenditure due to the train tickets not being attached to the claim form. These were train tickets for Tom Grieveson travelling to and from Leeds and York, the cost of which was £116.25.
Resolution	We recommend that all expenses should have documentation attached.

Gifts policy

Issue	From our review and testing of the gifts policy we would recommend that for local and central management, the policy state that all gifts must be included on the register. The risk is that regular gifts can be given for less than £100 which would not be disclosed.
Resolution	We recommend that the gifts register should adhere to the policy by including all items.

Review of policies

Issue	We have noted the audit committee initiate the review, update and approval of new finance policies.
Resolution	We suggest that these matters are reserved for an alternative committee.

Audit committee

Issue	For the purposes of quoracy, two members are required to be present at any meeting. Decisions are made by the passing of a resolution with a simple majority, where the chair has the casting vote. Accordingly and theoretically speaking, where only two members are present the chair is able to pass a resolution without input from any other committee member. We also noted that one of the members was employed by the Trust during the year. As per the Academies Financial Handbook section 2.4.3 this is not permitted.
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Audit committee

Resolution

Whilst we recognise and are aware that there have been no situations to date where this has come to pass, the board may wish to review whether such arrangements are appropriate.

We suggest that whilst staff employed by the Trust may attend and participate in discussions, they should not be member of the audit committee.

4 UNADJUSTED/ADJUSTED MISSTATEMENTS

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be "clearly trivial" in the context of our audit. For this purpose we consider "clearly trivial" to be any matter less than £5,000 individually and £50,000 in aggregate.

We advised management of all these misstatements on 26th October 2016 and requested management to correct them.

	Profit (£)	Net assets (£)
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
INCOME RECLASSIFICATION		
Dr GAG	223,708	Being the income reclassification journals relating to mispostings from all academies and also reclassification in the statutory accounts
Cr Other DFE grants	(223,708)	
Dr Other government grants	463,591	
Cr Other DFE grants	(463,591)	
Total	Nil	Nil
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
CONSOLIDATION ADJUSTMENTS		
Dr Accruals		638,483
Cr Accrued income		(638,483)
		Being the inter-academy accruals and accrued income for capital income, purchases and other year end balances which should be removed from the statutory accounts
Dr Trade creditors		25,271
Cr Trade debtors		(25,271)
		Being the removal of trade debtor and creditor between central and Thomas Hepburn
Dr Other DFE capital grants	196,499	Being the removal of inter-trust income included within other DFE capital grants
Cr Buildings improvements	(196,499)	
Dr DFC grants	244,163	Being the removal of inter trust income included within other DFC capital grants
Cr Buildings improvements	(244,163)	
Dr Consultancy expense (Thorp)	13,336	Being the removal of double counted consolidation adjustment for consultancy income
Dr Consultancy expense (Manor)	13,336	
Dr Consultancy expense (Grangefield)	55,644	
Cr Consultancy Income (Northshore)		

	Profit (£) (82,316)	Net assets (£)	
Total	Nil	Nil	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
FUNDS			
Dr Restricted funds		386,000	Being the correction of restricted funds for teaching grants unspent at the year-end for the Trust as a whole
Cr Unrestricted funds		(386,000)	
Dr Unrestricted funds		463,000	Being the correction of restricted fixed asset funds at the end of 2016 so that the balance is NBV of fixed assets plus unspent capital for the Trust as a whole
Cr Restricted fixed asset funds		(463,000)	
	Nil	Nil	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
CENTRAL			
Dr Investment income	62,611		Being the reclassification of investment income in accordance with SORP 2015
Cr Unrealised gains on investment	(62,611)		
Dr Income 7078 (activities for generating funds - other)	7,980		Being the trade debtor balance included in central from income incorrectly recorded in Grangefield
Dr Income 7075 (activities for generating funds - other)	23,824		
Cr Trade debtors		(31,804)	
Dr Income 7075 (activities for generating funds - other)	13,648		Being the trade debtor balance included in central from income incorrectly recorded in North Shore
Cr Trade debtors		(13,648)	
DFC Grant	79,900		Being the reclassification of mis-posted accrued income reversals posted to CI0001 rather than CI0002
Other DfE capital grants	(79,900)		
Dr DFC Grant	17,684		Being the reclassification of historic Salix loan deferred income released in the year.
Cr Income from academies	(17,684)		
Dr Expenditure from unrestricted	126,028		Being the reclassification of expenditure (repairs) to be spent from GAG and not from restricted fixed assets.
Cr Expenditure from restricted fixed Asset	(126,028)		

	Profit (£)	Net assets (£)	
Dr Investment – fixed		4,560,983	Being the reclassification of the investment into fixed rather than current
Cr Investment - current		(4,560,983)	
Dr External consultants	12,460		Being the removal of incorrectly reversed accrual in the year - included as a consolidation journal in draft accounts
Dr Educational services	4,480		
Dr Educational services	13,860		
Dr Staff training - course and conference fees	140		
Dr External consultants	3,220		
Dr Staff training - course and conference fees	1,820		
Dr External consultants	420		
Dr Educational services	1,540		
Dr External consultants	3,920		
Cr OTP income	(41,860)		
Dr Actuarial gain / loss	18,000		
Cr Finance cost	(14,000)		
Cr Current Service cost	(4,000)		
Dr Actuarial gain/loss	1,062,000		Being the movement on the pension liability for 2016
Dr Finance cost	6,000		
Cr Current Service cost	(62,000)		
Cr Movement in pension liability		(1,006,000)	
Total	45,452	(45,452)	
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
Dr Income from academies	143,254		Being the elimination of inter-trust income included within central
Cr Premises insurance	(143,254)		
Underlying total	Nil	Nil	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
GRANGEFIELD			
Dr Impairment charge	5,329,855		Being the transitional adjustment in the year ended 31 August 2015 to impair the buildings at Grangefield to show 19 months of UEL prior to move to the new build
Cr Land and buildings		(5,329,855)	
Dr Accumulated depreciation		46,508	Being the removal of 5 months overcharged depreciation on the old Grangefield School building following
Cr Depreciation charge	(46,508)		

	Profit (£)	Net assets (£)	
			relocation at Easter 2016
Dr Land and building additions		13,595,674	Being the inclusion of new school building at Grangefield transferred from the EFA.
Cr Income from assets transferred from EFA	(13,595,674)		
Dr Depreciation charge – land and buildings	108,266		Being the depreciation charge for 5 months on the new school building at Grangefield following transfer
Cr Accumulated depreciation – land and buildings		(108,266)	
Total	(8,204,061)	8,204,061	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
MOUNT PELLON			
Dr Income (CI0002) (voluntary income restricted capital)	19,683		Being income that Mount Pellon incorrectly accrued
Cr Accrued income		(19,683)	
Dr Actuarial gain/loss	39,000		Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(34,000)		
Cr Current service cost	(5,000)		
Cr Movement in pension liability			
Dr Actuarial gain/loss	957,000		Being the movement on the pension liability for 2016
Dr Finance cost	17,000		
Dr Current service cost	63,000		
Cr Movement in pension liability		(1,037,000)	
Total	1,056,683	(1,056,683)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
RYECROFT			
Dr Actuarial gain/loss	21,000		Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(19,000)		
Cr Current service cost	(2,000)		
Cr Movement in pension liability			
Dr Actuarial gain/loss	304,000		Being the movement on the pension liability for 2016
Dr Finance cost	6,000		
Dr Current service cost	25,000		
Cr Movement in pension liability		(335,000)	

	Profit (£)	Net assets (£)
Total	335,000	(335,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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MERLIN TOP

Dr Actuarial gain/loss	31,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(29,000)	
Cr Current service cost	(2,000)	
Cr Movement in pension liability		

Dr Actuarial gain/loss	511,000	Being the movement on the pension liability for 2016
Dr Finance cost	10,000	
Dr Current service cost	33,000	
Cr Movement in pension liability		(554,000)

Total	554,000	(554,000)
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Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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HILTON

Dr Deferred income		34,888	Being the adjustment of 2013/14 accrued income brought forward relating to over payment of pupil premium from Newcastle Council.
Cr Other creditors		(34,888)	

Dr Actuarial gain/loss	25,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(23,000)	
Cr Current service cost	(2,000)	
Cr Movement in pension liability		

Dr Actuarial gain/loss	526,000	Being the movement on the pension liability for 2016
Cr Finance cost	8,000	
Cr Current service cost	(6,000)	
Cr Movement in pension liability		(528,000)

Total	528,000	(528,000)
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Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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ABBAY PARK

Dr Actuarial gain/loss	10,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(8,000)	

	Profit (£)	Net assets (£)
Cr Current service cost	(2,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	301,000	Being the movement on the pension liability for 2016
Dr Finance cost	6,000	
Dr Current service cost	24,000	
Cr Movement in pension liability		(331,000)
Total	331,000	(331,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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THOMAS HEPBURN

Dr Actuarial gain/loss	55,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(50,000)	
Cr Current service cost	(5,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	1,281,000	Being the movement on the pension liability for 2016
Dr Finance cost	30,000	
Dr Current service cost	(3,000)	
Cr Movement in pension liability		(1,308,000)
Total	1,308,000	(1,308,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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FERNS

Dr Actuarial gain/loss	6,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost		(6,000)
Cr Current service cost		
Cr Movement in pension liability		
Dr Actuarial gain/loss	247,000	
Dr Finance cost	9,000	
Dr Current service cost	20,000	
Cr Movement in pension liability		(276,000)
Total	282,000	(282,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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GRANGEFIELD

Dr Actuarial gain/loss	46,000	Being the adjustment for the FRS102
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	Profit (£)	Net assets (£)	
Cr Finance cost	(40,000)		2015 pension liability
Cr Current service cost	(6,000)		
Cr Movement in pension liability			
Dr Actuarial gain/loss	1,195,000		Being the movement on the pension liability for 2016
Dr Finance cost	26,000		
Dr Current service cost	37,000		
Cr Movement in pension liability		(1,258,000)	
Total	1,258,000	(1,258,000)	

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
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REDHOUSE

Dr Other creditors		28,242	Being the correction of PY mis-posted audit adjustment to remove historic other creditor already paid.
Cr Other income (DT sales)	(28,242)		
Dr Other income	9,251		
Cr VAT debtors		(9,251)	
Dr Actuarial gain/loss	54,000		Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(50,000)		
Cr Current service cost	(4,000)		
Cr Movement in pension liability			
Dr Actuarial gain/loss	1,170,000		Being the movement on the pension liability for 2016
Dr Finance cost	13,000		
Cr Current service cost	(19,000)	(1,164,000)	
Cr Movement in pension liability			
Total	1,145,009	(1,170,429)	

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
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MANOR

Dr Land and buildings additions		15,919,871	Being the inclusion of new school building at Manor Academy transferred from the EFA.
Cr Income from assets transferred from the EFA	(15,919,871)		
Dr Depreciation charge – land and buildings	130,535		Being the depreciation charge for 5 months on the new school building at Manor Academy following transfer
Cr Accumulated depreciation		(130,535)	
Dr Rent hire	91,765		Being the removal of 5 months of the

	Profit (£)	Net assets (£)	
Cr Rents payable		(91,765)	notional rent charge on the old school building at Manor following relocation to new build in April 2016
Dr Actuarial gain/loss	29,000		Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(26,000)		
Cr Current service cost	(3,000)		
Cr Movement in pension liability			
Dr Actuarial gain/loss	1,786,000		Being the movement on the pension liability for 2016
Dr Finance cost	48,000		
Dr Current service cost	97,000		
Cr Movement in pension liability		(1,931,000)	
Total	13,766,571	13,766,571	

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
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DYKE HOUSE

Dr Impairment charge	1,805,178		Being the impairment of the Dyke House school building upon receipt of independent 3rd party valuation report.
Cr Land and buildings		(1,805,178)	

Dr Income from LA	18,688	(2,982)	Being the income and expenditure in relation to 16-19 from EFA which are only administered by NET and should not be recognised in the SOFA
Cr Support costs	(15,706)		
Cr Other creditors			

Dr Actuarial gain/loss	75,000		Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(66,000)		
Cr Current service cost	(9,000)		
Cr Movement in pension liability			

Dr Actuarial gain/loss	1,810,000		Being the movement on the pension liability for 2016
Dr Finance cost	35,000		
Dr Current service cost	114,000		
Cr Movement in pension liability		1,959,000	

Total	2,142,560	(150,840)	
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Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
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F NATTRASS

	Profit (£)	Net assets (£)
Dr Actuarial gain/loss	19,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(16,000)	
Cr Current service cost	(3,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	414,000	Being the movement on the pension liability for 2016
Dr Finance cost	8,000	
Dr Current service cost	28,000	
Cr Movement in pension liability		(450,000)
Total	450,000	(450,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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OAK TREE

Dr Actuarial gain/loss	36,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(32,000)	
Cr Current service cost	(4,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	721,000	Being the movement on the pension liability for 2016
Dr Finance cost	16,000	
Dr Current service cost	40,000	
Cr Movement in pension liability		(777,000)
Total	777,000	(777,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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NORTON

Dr Actuarial gain/loss	25,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(22,000)	
Cr Current service cost	(3,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	546,000	Being the movement on the pension liability for 2016
Dr Finance cost	14,000	
Dr Current service cost	25,000	
Cr Movement in pension liability		(585,000)
Total	585,000	(585,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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NORTH SHORE

	Profit (£)	Net assets (£)	
Dr Actuarial gain/loss			Being the adjustment for the FRS102
Cr Finance cost			2015 pension liability
Cr Current service cost			
Cr Movement in pension liability			
Dr Actuarial gain/loss	1,692,000		Being the movement on the pension
Dr Finance cost	32,000		liability for 2016
Dr Current service cost	32,000		
Cr Movement in pension liability		(1,756,000)	
Total	1,756,000	(1,756,000)	

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
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BLYTH

Dr Income from LA	18,424		Being the income and expenditure in
Cr Support costs	(10,153)		relation to 16-19 from EFA which are
Cr Other creditors		(8,271)	only administered by NET and should
			not be recognised in the SOFA
Dr Actuarial gain/loss	40,000		Being the adjustment for the FRS102
Cr Finance cost		(40,000)	2015 pension liability
Cr Current service cost			
Cr Movement in pension liability			

Dr Actuarial gain/loss	1,500,000		
Dr Finance cost	70,000	(1,530,000)	Being the movement on the pension
Cr Current service cost	(40,000)		liability for 2016
Cr Movement in pension liability			
Total	1,578,271	(1,578,271)	

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
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KEASLEY

Dr Income from LA	9,655		Being the income and expenditure in
Cr Support costs	(4,615)		relation to 16-19 from EFA which are
Cr Other creditors		(5,040)	only administered by NET and should
			not be recognised in the SOFA
Dr Actuarial gain/loss	36,000		Being the adjustment for the FRS102
Cr Finance cost	(36,000)		2015 pension liability
Cr Current service cost			

	Profit (£)	Net assets (£)
Cr Movement in pension liability		
Dr Actuarial gain/loss	654,000	Being the movement on the pension liability for 2016
Dr Finance cost	26,000	
Dr Current service cost	16,000	
Cr Movement in pension liability		(696,000)
Total	701,040	(701,040)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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THORP

Dr Income from LA	20,857	Being the income and expenditure in relation to 16-19 from EFA which are only administered by NET and should not be recognised in the SOFA
Cr Support costs	(5,855)	
Cr Other creditors		(15,002)
Dr Actuarial gain/loss	45,000	Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	(37,000)	
Cr Current service cost	(8,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	1,223,000	Being the movement on the pension liability for 2016
Dr Finance cost	29,000	
Dr Current service cost	3,000	
Cr Movement in pension liability		(1,255,000)
Total	1,270,002	(1,270,002)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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KIRK BALK

Dr Actuarial gain/loss		Being the adjustment for the FRS102 2015 pension liability
Cr Finance cost	10,000	
Cr Current service cost	(10,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	886,000	Being the movement on the pension liability for 2016
Dr Finance cost	54,000	
Dr Current service cost	(16,000)	
Cr Movement in pension liability		(924,000)
Total	924,000	(924,000)

Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
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SOUTHMERE

	Profit (£)	Net assets (£)
Dr Actuarial gain/loss	17,000	Being the adjustment for the FRS102
Cr Finance cost	(13,000)	2015 pension liability
Cr Current service cost	(4,000)	
Cr Movement in pension liability		
Dr Actuarial gain/loss	497,000	Being the movement on the pension
Dr Finance cost	11,000	liability for 2016
Dr Current service cost	51,000	
Cr Movement in pension liability		
		(559,000)
Total	559,000	(559,000)

5 POTENTIAL IMPROPRIETY ISSUES IDENTIFIED DURING THE AUDIT

Central - Staff expenses

Facts and circumstances	From our staff expenses testing we have noted an expense for Ian Kershaw for the purchase of stamps to send out Christmas cards and Birthday cards to staff across the Trust. The cost of this purchase was £92.60.
Issue	Section 3.1.3 of the Academies Financial Handbook states that Academy trusts must ensure that spending has been for the purposes intended. The spending of funds on postage for this purpose may be viewed as being outside this purpose.

Central – charge card purchases

Facts and circumstances	<p>From our testing we had noted that an expense was incurred on the chief executive charge card at the restaurant Piccolinos in the amount of £265, being a leaving meal for the previous executive principal of North Shore and Grangefield Academy. In our view this is not an appropriate use of funds.</p> <p>From our testing we noted that a deposit was paid for £170 at a restaurant for the leaving meal of a past director on David Brown's charge card. In our view this is not an appropriate use of funds.</p>
Issue	Section 3.1.3 of the Academies Financial Handbook states that Academy trusts must ensure that spending has been for the purposes intended. The spending of funds on a leaving meal may be viewed as being outside the purpose of education.

Kearsley – staff prizes

Facts and circumstances	From our petty cash testing we have identified instances of petty cash expenditure being incurred in relation to staff prizes for wellbeing purposes. This expenditure was noted as taking place every week and was in the region of £5 to £10. As there is not a policy on staff wellbeing we have concluded that this is inappropriate use of school funds.
Issue	Section 3.1.3 of the Academies Financial Handbook states that Academy Trusts must ensure that spending has been for the purposes intended. Funding is provided to the school for the purposes of education. The spending of funds on a staff prizes is not spending for the purpose of education.

6 SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

We have set out below significant deficiencies in internal control which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

RELATING TO TRUST AS A WHOLE

Cashflow forecasts

Fact and potential consequence	There are no cash flow forecasts prepared by the Trust. This makes it difficult to project future cash movements.
Possible action	The Trust should prepare a Cashflow forecast as part of the budget setting processes. This will help ensure that Cashflow requirements can be met.
Management response	The Trust take a prudent approach to budgeting and work to a worst case scenario with contingencies built in salaries for areas of uncertainty around tax and pensions. The cash balances of each academy are managed as part of the monthly management accounts and reported to the Audit and Risk Committee (ARC). Management has undertaken much positive work surrounding banking account structures, cash balances and investments. Cashflow has been improved also by VAT Registration ensuring that VAT is recovered in a timely and structured manner. As part of the monthly reporting cycle cashflow forecasting at a Trust level will be developed and implemented during the year to further build on the reporting currently established.
Timing of implementation and responsibility	January 2017 Director of Finance

Declarations of Interest

Fact and potential consequence	Although Declarations of Interests are being filled out by Academy staff, there is no further monitoring of these in relation to managing/avoiding related party transactions.
Possible action	The Conflict of interest forms should be checked during procurement/other transactions to ensure that any related party transactions are identified.

Declarations of Interest

Management response	The recommendation is accepted. The Trust since 2014/15 has sought to avoid incurring expenditure with related parties. The procurement process going forward will now consider Conflict of Interest Forms to ensure related party transactions are not considered in a procurement exercise and excluded.
Timing of implementation and responsibility	March 2017 Trust Secretary

Journals

Fact and potential consequence	There is a lack of review of journals being posted throughout all academies, which could lead to inappropriate postings being included within the financial statements.
Possible action	We recommend that a list of journals posted within the month is included in the monthly reporting pack for the central team, allowing them to be reviewed and approved.
Management response	The recommendation is accepted and will be built into the monthly financial timetable and monitoring.
Timing of implementation and responsibility	January 2017 Director of Finance

Stock

Fact and potential consequence	The stock balance for the year end is exactly the same as the previous year. This is because each of the academies do not update their stock records on a regular basis.
Possible action	We recommend for each Academy to count stock at year end and to update their records at the end of each month.
Management response	The value of stock (largely school uniforms) in the current year's financial statements is £17,000. Going forward stock will be written off and included in revenue as the value is not material overall and the costs incurred in monitoring such low value stock in each academy does not represent Value for Money.
Timing of implementation and responsibility	January 2016 Director of Finance

Capital Income

Fact and potential consequence	The allocation of capital income to academies is initially done by inclusion of an amount within school's budget, against which subsequent purchases are then allocated. It is not evident at what point capital income becomes allocated and hence the when the accounting for such a decision should become effective.
Possible action	The governance around this process should be formalised and a policy put in place to regulate these matters.
Management response	The recommendation is accepted and a policy will be drafted. Audit and Risk Committee (ARC) will consider the policy proposed by management and Corporate Co-Ordination Group (CCG) will then approve the final policy.
Timing of implementation and responsibility	April 2017 Director of Finance

Income postings

Fact and potential consequence	There are numerous mispostings by all academies between various income codes. The consequence here is that for VAT purposes some items may be omitted from VAT returns.
Possible action	Income codes should be reviewed to ensure that all income is included in the VAT returns and the treatment is correct.
Management response	The recommendation is accepted. Trustees are to consider in November 2016 a proposal from the Director of Finance with regard a new Financial Structure. The proposed structure will consolidate accountants into three regional hubs and staff undertaking financial administration and transactions in to one central team. The new structure will further strengthen the internal controls and improve monitoring.
Timing of implementation and responsibility	April 2017 Director of Finance

RELATING TO INDIVIDUAL ACADEMIES

North Shore	
Fact and potential consequence	<p>AMOUNT OF CASH HELD</p> <p>The cash held in the safe on 11 April 2016 was £7,300. This exceeds the limit of £4,000 for insurance purposes.</p> <p>BANK RECONCILIATIONS</p> <p>There are a number of older items relating to 2014 and 2015 included as reconciling items on the bank reconciliation. These should be followed up and written off if required.</p>
Possible action	<p>AMOUNT OF CASH HELD</p> <p>The amount of cash held should be monitored on a daily basis to ensure the limit is not exceeded for security purposes.</p> <p>BANK RECONCILIATIONS</p> <p>These should be followed up and written off if required.</p>
Management response	<p>The recommendation is now actioned. Improved monitoring and reporting provide assurance that cash limits will not exceed agreed limits going forward and older previous years items have been written off.</p>
Timing of implementation and responsibility	<p>Actioned</p> <p>Director of Finance and North Shore Academy Principal</p>

7 SIGNIFICANT ACCOUNTING POLICIES, DISCLOSURES AND ESTIMATES

Accounting disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards, including the Statement of Recommended Practice – Accounting and Reporting by Charities 2015, and the requirements of the Companies Act 2006, the Charities Act 2011 (“the Acts”) and the Academies: Accounts Direction 2015/16 issued by the Education Funding Agency (EFA). The following disclosure matters were brought to your attention and subsequently reflected in the revised financial statements:

- 1 – The draft financial statements did not include the required information for the pension disclosures
- 2 – The draft financial statements did not include the required information for the staff severance payments
- 3 – The draft financial statement did not include a complete disclosure in respect of land and buildings’ operating leases
- 4 - The draft financial statements did not include all of the required information in respect of the disclosure of agency arrangements
- 5 – The draft financial statements omitted a related party transaction identified with Locala Partnerships, who Mark Sanders is a Chairman of.
- 6 – The capitalisation policy in the draft financial statements was initially £1,000. This was incorrect and has been adjusted to show £5,000.
- 7 – The draft financial statements did not include disclosure of property transactions.
- 8 – The draft financial statements did not include bad debts written off in the year.
- 9 – The draft financial statements did not include adequate disclosure for the property transaction
- 10 - The Trustees report did not include a statement for public benefit.
- 11 – The Trustees report does not include reference to the Pension liabilities and material deficit, explaining circumstances giving rise to the deficit and the step being taken.
- 12 – The draft financial statements did not include adequate under estimates for the property valuation

In addition a number of the required disclosures were updated following the preparation of the first draft of the financial statements once the numbers became available:

- 1 – The draft financial statements did not include a strategic report
- 2 – The draft financial statements disclosure for central services recharged was incorrect.

3 – The draft financial statements did not include narrative explanations re schools with funds in deficit.

4 – The Trustees report did not include reference to KPIs

5 - The Trustees report did not include reference to a financial and risk management objective and policy.

6 – The Reserves Policy in the Trustees report did not include the level of reserves, or that of the pension deficit at the year end.

In addition to the above, the following matters were brought to your attention which have not been reflected in the revised financial statements & we will be requesting written representations from you supporting the decision not to adjust:

1. The financial statements do not include monthly average staff numbers

8 QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Set out below are those matters that we have identified in respect of the above, during the course of our work, that we consider should be brought to the attention of the trustees.

Set out below are those matters that properly fall to be treated as exceptional items, and also those matters of significance that are non-recurring in nature

	£
Net movement in funds per SOFA	(1,145,822)
Adjustments:	
• Donation of school buildings	29,516,000
• Remeasurement of defined benefit pension scheme	(19,283,000)
• Impairment of Dyke House	(1,805,178)
Revised surplus/deficit after adjustments	7,282,000

The donation of school buildings amounting to £29,516,000 relates to the new school buildings at Grangefield and Manor which have been brought into use during the year.

The impairment of Dyke House school building has arisen following a professional valuation in the year which indicated that the original school building valuation had been impaired.

9 FEES

We confirm that the fees charged during the year in respect of services performed for Northern Education Trust are consistent with those contained within our Audit Plan submitted to you and dated 9 September 2016.

10 INDEPENDENCE

In accordance with International Standard on Auditing (UK and Ireland) 260 "Communication with those charged with governance", there are no changes to the details of relationships between RSM UK Audit LLP and its related entities and Northern Education Trust and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP's independence and the objectivity of the audit principal, Alan Dunwell, and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 9 September 2016.

APPENDIX A - DRAFT LETTER OF REPRESENTATION

RSM UK Audit LLP
2 Whitehall Quay
Leeds
LS1 4HQ

Dear Sirs

Audit of Financial Statement – Year ended 31 August 2016

This representation letter is provided in connection with your audit of the financial statements of Northern Education 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 the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the Academy Trust financial statements is applicable law, Academies Accounts Direction 2015/2016 issued by the Education Funding Agency ('EFA'), and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other Governors or Trustees and officials of the Academy Trust:

Financial Statements

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 10 October 2016, for ensuring that the Academy Trust or group maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - a any advances and credits granted by the Academy Trust to Governors or Trustees and guarantees of any kind entered into on behalf of the Governors or Trustees;
 - b the identity of the party which controls the Academy Trust, and (if different) the party which ultimately controls the Academy Trust, if any;
 - c transactions and balances with related parties including:
 - the names of the transacting party or parties;

- a description of the relationship between the parties (including the interest of the related party/parties in the transaction);
 - a description of the transactions;
 - the amounts involved (even if nil);
 - amounts written off in the period in respect of debts due to or from related parties;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date;
 - the terms and conditions, including any security and the nature of the consideration to be provided in settlement;
 - details of any guarantees given or received; and
 - any other elements of the transactions necessary for an understanding of the financial statements.
4. Full disclosure is made in the financial statements of:
- a outstanding capital commitments contracted for at the balance sheet date;
 - b all contingent liabilities including details of pending litigation and material claims against the Academy Trust or group;
 - c all guarantees or warranties or other financial commitments.
5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
6. There have been no events (e.g. loss or reduction of source of funding (including DfE and other grants, donations or private sponsorship), loss of supplier or member of staff, change in student numbers, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the Academy Trust or group to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the Academy Trust or group to continue as a going concern.
7. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report, we will advise you accordingly.
8. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

9. All charities, companies and trusts controlled by the Academy Trust have been consolidated in the group financial statements.
10. All designated and restricted fund balances are correctly shown in the accounts.

Information Provided

1. As agreed in the terms of engagement, we have provided you with:
 - a Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation (including correspondence with the Department for Education ('DfE'), and other matters including minutes of members the Finance/Audit Committee/ Trustees/ Governors meetings, committees of the Finance/Audit Committee/ Trustees/ Governors, and management held between the beginning of the accounting period and the date of this letter;
 - b Additional information that you have requested from us for the purpose of the audit; and
 - c Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Academy Trust or group and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with the terms of the funding agreement with the DfE and the Academies Financial Handbook 2015, and those laws and regulations whose effects should be considered when preparing financial statements; including but not limited to the Education Act 1996 as amended by the Learning and Skills Act 2000 and the Education Act 2002. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the Academy Trust or group's ability to conduct its activities.
7. We have disclosed to you the identity of the Academy Trust or group's related parties and all the related party relationships and transactions of which we are aware.
8. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.

9. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms and conditions in the application of such incoming resources.
10. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
11. We confirm that we have informed you of all tax avoidance schemes used by the Academy Trust or group.

Charitable Status

1. We have not conducted, or permitted to be conducted any activities which call into question the charitable nature of the Academy Trust.
2. There have been no communications with the Charity Commission or the Secretary of State for Education as Principal Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any administrative duty. We have drawn to your attention all correspondence and notes of meetings with regulators.
3. The Academy Trust has complied with the terms of the Schools Agreement with the DfE and the local authority.

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

Having made appropriate enquiries and having received suitable confirmations from the EFA, we are of the view that no provision for GAG abatement is required.

We confirm that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

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

The contents of this letter were considered and approved by the board at its meeting on ...

Yours faithfully

Signed on behalf of the board of Northern Education Trust

.....
Governors or Trustees

Date

Attachment: List of uncorrected misstatements including those in relation to disclosures

Regularity

RSM UK Audit LLP
2 Whitehall Quay
Leeds
LS1 4HQ

Dear Sirs

Regularity Assurance Engagement – Year Ending 31 August 2016

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries of other officials of the Academy Trust, the following representations given to you in connection with your regularity assurance engagement for the year ending 31 August 2016.

Regularity, Accounting records and transactions

- a. We acknowledge and have fulfilled our responsibility for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities which govern them.
- b. Neither the board of trustees nor the Academy Trust management have knowingly authorised a course of action, the financial impact of which was that transactions infringe the requirements of regularity.
- c. All transactions undertaken by the Academy Trust have been properly reflected and recorded in the accounting records.

Information provided

- d. As agreed in the terms of engagement, we have provided you with full and free access at all times to the financial records correspondence and other records of the Academy Trust, and such information and explanation as are necessary for the performance of your duties.

Compliance with laws and regulations

- e. We have disclosed all events of which we are aware which involve suspected non-compliance with the framework of authorities including:
 - the funding agreement with the Secretary of State for Education

- the Academies Financial Handbook 2015;
- Company law and Charity law;
- Specific terms and conditions of income received

which provide a legal and contractual framework within which the Academy Trust conducts its business and which are central to its ability to conduct that business. We have also notified you of the actual or contingent consequences that may arise from such non-compliance.

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

The contents of this letter were considered and approved by the board at its meeting on ...

Yours faithfully

Signed on behalf of the board of Northern Education Trust

Chair

Accounting Officer

Date

APPENDIX B - UPDATED REGULATORY UPDATE

No further regulatory matters have been updated since our audit plan dated 9 September 2016.