ST MARY'S CATHOLIC SCHOOL TRUST

REPORT TO THE BOARD

ON THE 2017 AUDIT

Ryecroft Glenton

Chartered Accountants

The Governors
St Mary's Catholic School Trust
Benton Park Road
Longbenton
Newcastle upon Tyne
NE7 7PE

08 December 2017

Dear Sirs

Audit Summary Report for the year ended 31 August 2017

The audit of the Academy for the year ended 31 August 2017 is substantially complete, subject to the clearance of final matters with the Board.

The primary purpose of this Audit Findings Report ("the report") is to summarise our principal findings relating to judgements and estimates made by the Board and management in preparing the financial statements and to highlight the impact of accounting areas on the results of the Academy.

This report covers the following areas:
- status of the audit and any unresolved misstatements;
- matters arising from the audit including any control matters;
- the management representations that will be required from the Board in respect of the Academy; and
- developments in financial reporting and other matters that might be of general interest.

We would like to take this opportunity of thanking the Governors and staff for their assistance during the course of our audit.

Yours faithfully

Ryecroft Glenton
Chartered Accountants and Statutory Auditor
32 Portland Terrace
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NE2 1QP

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Section 1: Status of the audit

Fieldwork status

Our audit of the results and financial position of the Academy is substantially complete. The following matters are currently outstanding, together with finalisation of the matters set out in this report:

- Receipt of final statutory financial statements and trustees report;
- Receipt of signed letters of representation and a copy of the Board minute approving the financial statements.

We are required by auditing standards to discuss with the Board known misstatements and to consider qualitative and quantitative factors when assessing materiality for each of these items.

All potential adjustments noted by us have been put through the financial statements. Adjustments have been agreed with Kevin Penny of Cardinal Hume Catholic School and Christine Rogerson and are included in Appendix one. There are no unadjusted errors.

We anticipate being able to provide an unqualified audit opinion on the financial statements.

Communication of audit matters with those charged with governance

The International Standard on Auditing (ISA) 260 "Communication with those charged with governance" sets out those matters that must be communicated by the auditors to those charged with governance. We have set out opposite how each of these key areas has been addressed:

ISA 260 requirement	Ryecroft Glenton response
o Terms of engagement	o Confirmed prior to the commencement of the audit.
o Auditors' responsibility to consider misstatements in the financial statements	o Communicated within this report.
o Directors' collective and individual responsibility to report fraud	o To be confirmed through representation undertakings and Board minute.
o Confirmation of the independence of the firm and audit team members	o Confirmed within this report.
o Communication of audit scope, timing and approach	o Communicated within our pre year end planning
o Consideration of significant accounting policies	o We confirm that this was undertaken as part of the audit fieldwork.
o Consideration of any material risks and exposures	o Included within this report.
o Consideration of audit materiality	o Included within this report.
o Schedules of adjusted and unadjusted errors	o Included within this report.
o Consideration of uncertainties casting doubt on the ability of the entity to continue as a going concern	o Included within this report.
o Significant disagreements with management	o None noted.
o Consideration of related parties and associated transactions	o Included within this report.
o Consideration of post balance sheet events	o None noted.
o Material weaknesses in accounting and internal control system	o Included within this report
o Significant difficulties encountered during the audit	o Included within this report
o How we have satisfied ourselves with regard to significant accounting estimates used in the financial statements	o Included within this report

Section 1: Status of the audit (cont.)

Limitations of this report

This report refers only to material matters we have identified from our audit of the financial statements of the Academy for the year ended 31 August 2017 and that we think merit being brought to your attention. The matters raised in section two of this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all issues affecting the financial statements of the Academy.

Any recommendations for improvements should be assessed by you for their full commercial impact before they are implemented.

We draw your attention to the fact that management is responsible for identifying, evaluating and managing risk, including new risks and those which change.

This report has been prepared solely for your use as a Board and the Education Funding Agency (who is entitled to an electronic copy of this report in accordance with Section 1.6.2 of the Academies Accounts Direction 2016 to 2017) and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

Section 2: Matters arising and control matters

Key Areas of Judgement and Audit Focus

At the planning stage of the audit of the financial statements we identified the following key judgement areas and areas of focus as being critical to the 2017 financial statements:

Risk identified	Audit implication	Audit response
1. Revenue recognition In accordance with International Standards on Auditing (ISA), there is a presumption that there is a risk in respect of errors arising on the recognition of revenues due to the company.	The financial statements may contain material errors arising from inappropriate recognition of income.	Ryecroft Glenton audit work was performed through detailed review of all grant income to satisfy ourselves that the grants received are as expected from our examination of the Academy records and DfE correspondence. In addition, we carried out a walkthrough test on ancillary income to ensure the system was working as documented. We also reviewed post year end income to ensure satisfactory recognition of income around the year end.
2. Management override In accordance with ISA there is a presumed specific risk relating to the possibility of management override through intervention at prime entry or subsequent journal entry.	Accounts comprise entries from books of prime entry, being cash book and sales and purchase ledgers. Management is in a position to override entries arising from books of prime entry and by processing journals.	We have satisfied ourselves that there is no significant misstatement as a result of our tests on transactions arising from prime entry and our review of a sample of journals posted during the year and in the post balance sheet period.
3. Regulatory risk The Academy must comply in all respects with the funding agreement, Academies Accounts Direction 2016 to 2017 and Academies Financial Handbook 2016. The majority of the funds handled by the academy are public funds and as such the trustees are answerable to Parliament in respect of the use to which these funds are put, with the highest standard of regularity, propriety and value for money required.	As part of our work we will examine on a risk basis, various areas of regulatory compliance to allow us to report on the financial statements and the academy's regularity.	We have designed and undertaken our work on a risk basis, those areas that in our opinion are likely to give rise to issues of regularity, propriety and value for money. The subsequent section titled "Accounting and Internal Control Systems" sets out the results of our testing.

4. Business environment Going concern risk. Going concern is a fundamental accounting concept that underlies the basis of preparation of all financial statements of entities. Under the going concern concept it is assumed that an entity will continue in operation for the foreseeable future and that there is neither the intention nor the need to liquidate or cease trading.	You are required to assess whether the Academy is a going concern when causing the financial statements to be prepared. Your assessment should cover a period at least twelve months beyond the date upon which you expect to sign off the financial statements. If you are unable to apply the going concern concept, the financial statements need to be prepared on a different basis to that normally adopted, and where there is some concern, and they have been prepared on the going concern basis, proper disclosure should be made as to why this concept has been adopted together with provision to us of evidence to support this assertion.	We have examined the budget for 2017/18 which is projecting a surplus before depreciation charges of £85,000 and we have been informed that these forecasts have been prepared on a prudent basis. We are content that the Trustees have performed sufficient work to satisfy themselves that these financial statements have been properly prepared using the going concern concept of accounting.
5. Related Party Transactions The suppression of information with regard to related parties, whether the existence or disclosure of transactions with them, may lead to significant misstatement in the financial statements. The ESFA requires all connected parties to be identified together with transactions with them. Where there are none, the financial statements need to state that fact.	Companies Act, financial reporting standards and AAD 2016 to 2017 require that entities have systems to identify existence of and establish transactions with related parties. As auditors we are required to assess the system in operation. You are also required to provide full information for disclosure in the financial statements; we are required to assess the risk that the financial statements have been misstated and related party transactions have been omitted or misreported.	The controls associated with the identification of related parties and the transactions taking place with them, operate satisfactorily. We are satisfied that we have been informed of the identity of all related parties and the transactions taking place with them, and there is no significant misstatement in the financial statements, subject to comment in the Accounting and Internal Controls section below
6. Incoming resources Income may not be applied to the purpose for which it was made available to the Multi Academy Trust.	The distinction between restricted and unrestricted funds is important for the reporting of incoming resources; sponsors and the Education Funding agency rely on the auditors to ensure that resources are not misapplied, although we do not acknowledge a duty of care to them.	We reviewed the allocation and nature of income and expenditure to ensure that incoming resources are materially complete and properly applied and that GAG resources have been correctly applied.

Section 2: Matters arising and control matters (cont.)

Key Areas of Judgement and Audit Focus (cont.)

Risk identified	Audit implication	Audit response
7. Accounting Estimates Estimates are by their nature imprecise and subjective. As such there is a high degree of uncertainty and therefore a risk that significant misstatement exists in the financial statements.	You are required to provide us with the identity of estimations contained in the financial statements, including: • how these have been estimated; • the relevant controls; • use of experts; • the underlying assumptions; • any changes from previous periods; and • your assessment of the level of uncertainty.	We have examined the significant accounting estimates, including: Pension Provision – A liability of £481,000 has been included within the financial statements as at 31 August 2017 against £932,000 in the previous year. The actuarial calculation of the defined benefit pension liability utilises significant estimates. We have relied upon an actuarial expert to assess this provision, have compared the estimates to those used for other academies and to our expectations from externally published data and we are satisfied with the assumptions made. Depreciation charge – The depreciation charge against fixed assets is £326,325 and this represents a significant accounting estimate. We have reviewed the estimated economic lives and their estimated residual values at the end of their estimated economic lives, and consider them reasonable.

Section 2: Matters arising and control matters (cont.)

Accounting and Internal Control Systems

We have considered the systems and internal controls and report the following matters:

Issue raised, implication and our recommendation	Rating	Your response
1) Bank reconciliations Our review of the monthly bank reconciliations shows that while they are prepared on a timely basis, and up until March they were reviewed by Kevin Penny, they are not reviewed, in line with the Finance Policy, which states that they should be signed off as reviewed by the Chief Finance Officer (Louise Levy). We recommend that all bank reconciliations are signed in accordance with the Academy's Finance Policy and if appropriate the Policy amended to widen the reviewer pool.	Low	AGREED. STATEMENTS HAVE BEEN CHECKED FOR APPROPRIATENESS ON A TIMELY BASIS. SIGNATURE WILL NOW BE DOCUMENTED AS FORMAL EVIDENCE.
2) Fixed asset register Although assets are recorded in the PS Financials register, depreciation is being posted by journal in line with an excel fixed asset register which was not updated for fixed asset additions. Therefore, the depreciation charge in the financial statements was, initially, understated. The excel register should be kept up to date to ensure that depreciation includes all asset acquisitions taking place in the future.	Low	AGREED. NEW PURCHASES WILL BE ADDED TO FIXED ASSET REGISTER DURING THE YEAR.
3) Payroll We noticed whilst reviewing monthly payroll that in the last seven months of the year, the monthly payroll records had no evidence of review by the Chief Finance Officer or Headteacher. We would recommend that all monthly payroll reports are signed by a reviewer in accordance with the Academy's Finance Policy.	Medium	MONTHLY PAYROLL IS ALWAYS REVIEWED ELECTRONICALLY AND APPROVAL SENT ON A TIMELY BASIS TO ALLOW PAYROLL TO PROCEED. SIGNATURE WILL NOW BE ADDED AS FORMAL EVIDENCE.

Section 2: Matters arising and control matters (cont.)

Accounting and Internal Control Systems (cont.)

Issue raised, implication and our recommendation	Rating	Your response
4) Management accounts accuracy Opening balance adjustments from last year's accounts to accruals and prepayments had not been rolled forward into the 2016/17 year meaning that management accounts did not take account of these adjustments throughout the year. Whilst each adjustment exceeded £120k, the net effect of the two adjustments on the deficit for the year was just £9,220. Similarly, management accounts do not include monthly adjustments for significant movements in the accruals and prepayments. We recommend that accrual and prepayment adjustments arising from year-end financial statements preparation work are rolled forward into the income and expenditure account and the movements of at least the material items be calculated and posted monthly. The Financial Handbook requires that management accounts are prepared on an accruals basis. We recommend that the effect of accruals and prepayments on the surplus is considered during the management accounts preparation process.	Low	AGREED. IN SCHOOL PROCESS TO BE CHECKED TO ENSURE MONTHLY ADJUSTMENTS ARE UPDATED IN ACCOUNTS. LL/KP TO WORK WITH CR TO CHECK THIS

Section 2: Matters arising and control matters (cont.)

Accounting and Internal Control Systems (cont.)

Issue raised, implication and our recommendation	Rating	Your response
5) New teaching school status - preparation for disclosures next year. We understand that the Academy has been successful in achieving teaching school status for the 2017/18 year. Income and expenditure relating to the teaching school activities will require separate disclosure within next year's financial statements and it is likely that the Academy will have to make additional Returns to the National College for Teaching and Leadership. In order to prepare for these additional disclosures, we recommend that new nominal codes are set up to record teaching school income and direct expenditure, or else that separate analyses of teaching school costs and income within existing codes are maintained throughout the year.	Low	THIS HAS BEEN DONE IN SCHOOL PRIOR TO AUDIT. INCOME AND EXPENDITURE CODES HAVE BEEN CREATED IN PS FINANCIALS FOR TEACHING SCHOOL TRANSACTIONS.

Section 2: Matters arising and control matters (cont.)

Audit Adjustments

Our final planning materiality for the year to 31 August 2017 was £68,500. It was not necessary to adjust this prior to completion of our audit work. Appendix one includes all those misstatements and reallocations that we consider to have been necessary and which have been processed in consultation and as agreed with Kevin Penny of Cardinal Hume Catholic School and Christine Rogerson, to protect or enhance the integrity of the financial statements.

All identified unadjusted misstatements have been put through the financial statements at the request of the finance management team.

Significant Difficulties Encountered in the Course of the Audit

We are pleased to report that there were no significant difficulties encountered in the course of our audit.

Financial statement disclosures

We considered significant risks and uncertainties associated with the audit of the financial statements as follows:

- we did not identify any significant risks, exposures or uncertainties,
- our procedures have not identified any unusual transactions, including non-recurring amounts recognised during the period needing to be separately disclosed in the financial statements;
- we considered the factors affecting asset and liability carrying values, including the entity's bases for determining useful lives and residual values assigned to tangible assets; and
- we did not find any evidence of the selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

Related Parties

As part of our audit we have considered disclosure of transactions associated with related parties and we set out below some comments:

- our procedures have not uncovered any instances of non-disclosure (whether intentional or not) by management to the auditor of related parties or significant related party transactions, which may alert those charged with governance to significant related party relationships and transactions of which they may not have been previously aware;
- nor have we identified any significant related party transactions that have not been appropriately authorised and approved, which may give rise to suspected fraud;
- there have been no instances of disagreement with management regarding the accounting for and disclosure of significant related party transactions in accordance with the applicable financial reporting framework;
- we have not found any examples of non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions; and
- we experienced no difficulties in identifying the party that ultimately controls the entity.

Regularity

The work we carried out to allow us to sign the regularity report consisted of:

- Enquiry with Accounting Officer to their work done to support their statement on regularity, propriety and compliance
- Review of finance policies in place
- Review of minutes for any significant items that may affect our conclusion
- Review of reports issued by the internal auditors, the work conducted by them and their conclusions
- Enquiry into whether there have been any payments or write offs incurred under delegated authority which should be disclosed to the ESFA
- Inspection of the register of pecuniary interests of the Trustees and a review of transactions to disclose any related or connected party transactions
- Review of connected and related party transactions to ensure that correct procedures had been followed and that these were appropriate transactions for the Academy to enter into
- Review of income streams for any activities which may be outside the Academy's charitable objectives
- Inspection of BACS payment reports to ensure that correct procedures and authorisations had been observed
- Review of cashbook transactions for significant or unusual transactions in the year and confirmed that these related to applicable charitable purposes
- Review of credit card expenditure for indicators of purchases being made for personal use
- Inspection of a number of purchase invoices during the year to ensure that the correct purchasing and procurement procedures had been followed
- Review of expenditure to confirm that this has been applied in line with the grant terms
- Enquiry with finance staff as to whether any borrowing has been entered into and whether this borrowing breaches the borrowing limits imposed by the funding agreement
- Inspection of payroll reports for the year and confirmed that these have been suitably authorised
- Review of a sample of employees from the monthly payroll reports to confirm existence and agree remuneration to supporting documentation
- Inspection of a sample of journals in the year to ensure that the correct authorisation procedures have been followed and that the adjustments relate to applicable charitable activities

Taxation

We are satisfied that as a registered charity the Academy is exempt corporation tax on its charitable activities, and its trading activities are in accordance with the charitable aims and objectives of the Academy.

We assume you have not received a Notice to File Corporation Tax Return for the year to 31 August 2017. Returns are always required when a Notice to File has been issued by HMRC, even if you believe the Academy to be exempt from corporation tax. Corporation tax returns are generally required to be made in a format known as iXBRL. For the time being this is not required for Academies. However, any trading income is required to be reported in iXBRL format. If you are in receipt of a Notice to File, you should inform us immediately. Our experience is that HMRC are asking more charities to complete returns on a periodic basis so that HMRC can confirm their tax exempt status or otherwise.

Independence

In our professional judgement we are independent within the meaning of APB Ethical Standards, and the objectivity and independence of the audit engagement partner and audit staff is not impaired.

We have assessed our objectivity and independence at the planning stage of the audit and have brought perceived and actual threats to your attention, together with the specific safeguards adopted by us to enable us to complete the audit of the Academy.

In addition to the fee for the preparation of accounts and audit thereof, you have paid us fees for non-audit purposes in the past year in the sum of £4,474. This is for assistance with the preparation of the financial statements for 2016, internal audit work performed throughout the year and filing of statutory forms such as the confirmation statement. We have brought the existence of the non-audit fees to your attention at the planning stage of our audit, and have agreed with you that any threat to our objectivity or independence in the conduct of our audit is adequately covered by the safeguards employed.

In respect of our consideration of the retention of the audit engagement for the period commencing 1 September 2017 we confirm that we continue to comply with APB Ethical Standards.

Section 3: Letter of representation - audit

In this section we have provided details of the representations that will be requested from you, together with a Board minute recording your consideration of these representations to us prior to the release of our opinion.

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the academy's financial statements and as, relevant, your assurance engagement on regularity for the year ended 31 August 2017. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

General

1 We have fulfilled our responsibilities as trustees as set out in the terms of your engagement letter dated 29 September 2017 under the Companies Act 2006 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.

2 All the transactions undertaken by the academy have been properly reflected and recorded in the accounting records.

3 All the accounting records have been made available to you for the purpose of your audit and regularity assurance engagement. We have provided you with unrestricted access to all appropriate persons within the academy, and with all other records and related information, including minutes of management meetings and correspondence with the Education Funding Agency, Department for Education and the Charity Commission.

4 The financial statements are free of material misstatements, including omissions.

5 The effects of uncorrected misstatements (as set out in the appendix to the management letter from us) are immaterial both individually and in total.

Internal control and fraud

6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error and which conform to the requirements both of propriety and good financial management. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

7 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

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

Assets and liabilities

9 The academy has satisfactory title to all assets and there are no liens or encumbrances on the academy's assets, except for those that are disclosed in the notes to the financial statements.

10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

11 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

12 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

13 The academy has not granted any advances or credits to, or made guarantees on behalf of trustees other than those disclosed in the financial statements.

Legal claims

14 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

Law and regulations

15 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

16 Related party relationships and transactions, comply with the academy’s financial regulations, relevant requirements of the Academies Financial Handbook and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements and guidance set out in the Companies Act 2006, the Charities SORP and the Academies Accounts Direction issued by the Education Funding Agency.

Subsequent events

17 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

18 We believe that the academy's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the academy's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the academy's ability to continue as a going concern need to be made in the financial statements.

Grants and donations

19 Grants made by the Department of Education and Education Funding Agency have been applied for the purposes intended and the Accounting Officer has ensured regular and proper use and value for money of monies received from government.

20 All other grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

Restricted grants and donations are as follows:

General Annual Grant	£5,972,375
Other DfE/ESFA Grants	£332,516
Other Government grants	£70,513

Reports to the Educational Funding Authority or Charity Commission

21 We are not aware of any matters of material significance which should be reported to the Educational Funding Authority or Charity Commission

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that so far as we are aware, there is no relevant other information needed by you in connection with preparing your reporting accountant’s assurance report on regularity of which you are unaware.

Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make themselves aware of any relevant audit/other information and to establish that you are aware of that information.

Section 3: Letter of representation - regularity

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your assurance report on regularity to St Mary's Catholic School Trust and the Education and Skills Funding Agency (ESFA) for the year ended 31 August 2017. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of my knowledge and belief.

General

1 I have fulfilled my responsibilities as accounting officer under the requirements of the funding agreement between St Mary's Catholic School Trust and the Secretary of State for Education dated 30 August 2013 and the Academies Financial Handbook 2016.

2 I acknowledge my personal responsibility to Parliament for the regularity and propriety of the public finances for which I am answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in my charge.

3 I acknowledge my responsibility to notify the governing body and the ESFA of any instances of material irregularity or impropriety, or non-compliance with the terms of the academy trust's funding agreement and have had due regard to the requirements of the Academies Financial Handbook 2016 in performing this duty.

4 Any instances of material irregularity, impropriety, or non-compliance discovered to date have been notified to the governing body and the ESFA.

5 Significant matters of which you should be aware have been brought to your attention including any instances of irregularity, impropriety or non-compliance with laws and regulations specific to the academy trust's authorising framework.

6 Full and free access has been granted to the all records, correspondence, information and explanations that you have considered necessary to enable you to perform your work.

Section 4: Developments in financial reporting matters

Changes to the Academies Financial Handbook

The 2017 Academies Financial Handbook should be applied by Academies from 1 September 2017. There are only a few changes to the handbook this year and none of great significance. As usual, the changes are helpfully summarised in the first section. We reproduce that section in Appendix 4 with our assessment of the impact of the change on your Academy.

General Data Protection Regulations (GDPR)

A new set of regulations have been introduced. These are in addition to (and do not replace) the Data Protection Act (DPA). Full compliance is required by 25 May 2018. If your entity is bound by the DPA, the likelihood is that it will be bound by the GDPR. However the definition of a data controller is more detailed than that of the DPA and extends to digital identifiers such as an IP address of the data subject. It applies to both automated personal data and to manual filing systems where personal data are accessible according to specific criteria. This is wider than the DPA's definition and could include chronologically ordered sets of manual records containing personal data.

You will need to familiarise yourself with the regulations and make sure that the entity complies with them.

Consumer credit

Since the closure of the Office of Fair Trading (OFT) it has been necessary to register with the Financial Conduct Authority (FCA). If you sell goods to consumers (the legislation definition includes sole traders, partnerships with four partners or less, and unincorporated associations as well as individual consumers) with credit terms, you are required to obtain a licence from the FCA. If you were previously registered with OFT you had interim permission, but you must now register with the FCA. We are aware that the FCA are actively seeking out firms that are not registered and who should be, which is leading to fines and in extreme cases criminal prosecution.

See for more detail

https://www.fca.org.uk/firms/systems-reporting/consumer-credit-register

Money laundering

The Charity Commission is concerned that very few charities are complying with money laundering regulations. If you have donations paid in cash, you need to be aware of your duties as a Trustee. While the money laundering regulations do not apply to many charities, as they are not a "relevant business", Trustees do need to comply with the Proceeds of Crime Act, under which it is an offence to accept cash where you know or suspect it of having arisen from criminal activities. Normal people simply do not carry thousands of pounds in cash! Thus payments of this size must be suspect – to the extent that they could be outside the tax system – so wilful neglect (turning a blind eye) could make the charity complicit in tax evasion and thereby money laundering.

Charities Back on Track

A Charity Commission report (see http://webarchive.nationalarchives.gov.uk/+/http://www.charitycommission.gov.uk/our_regulatory_activity/compliance_reports/track_12.aspx) noted that of the 85 charities investigated there were major concerns of poor governance and trusteeship in 73 of these cases. The Charity Commission therefore urges all trustees to ensure that they regularly remind themselves of their basic duties and requirements.

The Charity Commission has reminded charities of its publication "15 questions trustees should ask". This publication can act as an effective tool for many charities to enable them to focus on the key strategic issues in what is, for many charities, a time of considerable uncertainty and change:

https://www.gov.uk/government/publications/charity-trustee-meetings-15-questions-you-should-ask/charity-trustee-meetings-15-questions-you-should-ask

Key tools remain available online from the Charity Commission, including the Essential Trustee (CC3) see http://www.charitycommission.gov.uk/media/94159/cc3_lowink.pdf and Hallmarks of an Effective Charity (CC10), see http://www.charitycommission.gov.uk/media/93827/cc10text.pdf. These will help trustees to understand what the law expects of them and to assist them to fulfil their legal responsibilities. The report also contains case studies (see the shaded boxes in http://www.charitycommission.gov.uk/media/91126/track_12.pdf) to highlight practical situations where charities have experienced difficulties. We recommend that all trustees and management of charitable entities review the report.

Charity Governance Code updated

The Charity Commission has updated its Governance Code in July 2017. The new Code sets out higher standards and urges larger charities to carry out external reviews of the performance of the Board every three years. Other key recommendations include increasing diversity on boards, a limit of nine years for trustee terms unless a good reason is given, more oversight of subsidiaries and a stronger emphasis on the role of the chair. The Charity Commission has withdrawn its Hallmarks of an Effective Charity guidance in favour of directing people to the new Code. The Code can be accessed from https://www.charitygovernancecode.org/en

Internal Financial Controls for Charities (CC 8)

The Charity Commission has very useful guidance on its website on internal controls that Trustees should employ in their charity (see https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8). The Charity Commission requires at least an annual check of internal controls by Trustees and is now asking for confirmation that this has been carried out in the Annual Return. The CC8 is a useful checklist of the controls Trustees should consider.

Conflicts of interest

The Charity Commission has reported recently that in all of its reviews of charities in the past year, a conflict of interest or conflict of loyalty existed. Furthermore, in the majority of these cases, the conflicts had not been reported to the Trustees as a whole, and invariably contributed to poor governance in each of the charities concerned. The Charity Commission has therefore revised its guidance on handling conflicts of interest, emphasising the need for a Register of Business Interests to be completed by all trustees and key employees, which includes the interests of close family members, whether or not there is or is like to be any interaction with the charity of which they are trustees. Where a conflict of loyalty exists, these need to be declared and managed as and when the conflict arises. Only then may the trustees effectively manage any potential conflicts. See

https://www.gov.uk/guidance/manage-a-conflict-of-interest-in-your-charity

Other key features of the new guidance include:

- A simple three step approach to dealing with conflicts of interest
- A revised working definition of conflicts of interest
- A number of practical examples to illustrate the principles in the guidance.

Making digital work: 12 questions for trustees to consider

The Charity Commission in October 2016 published some key questions covering the use of digital technology that every board needs to talk about. The questions cover 12 areas, many of which are the bread and butter of board meetings such as governance, supporting new trustees and managing reputation.

However, as digital technology now cuts across everything that charities do, from fundraising to strategy to service delivery, the questions are provided as a starting point for discussions and cover the essentials and to help trustees ensure that they build digital technology into their discussions.

The 12 question areas are Governance, Induction of new trustees, People, Strategy, Culture, Service delivery, Brand, Reputation, Fundraising, Cyber security, Evaluation and success and Resources, and the questions are available on the Gov.UK website https://www.gov.uk/government/publications/making-digital-work-12-questions-for-trustees-to-consider .

FundRaising Standards Board

For those charities that rely on funds from fundraising activities consideration should be given to support from and membership of the FundRaising Standards Board (FRSB).

See http://www.frsb.org.uk/charities/become-a-member/ for more details.

Charities (Protection and Social Investment) Act 2016

The Charities (Protection and Social Investment) Act 2016 received Royal Assent on 16 March 2016 with the first phase coming into force on 31 July 2016.

The purpose of the Act is to:

- protect charities from individuals who are unfit to be charity trustees,
- strengthen the powers of the Charity Commission,
- enable charities to more easily undertake social investment (investing their funds in a way that furthers their charitable purpose as well as providing a financial return), and
- reinforce the trustees' responsibility and accountability for fund-raising.

As part of the last purpose, the Act has introduced new reporting requirements for accounting periods commencing on or after 1 November 2016 which require charities which are required to have their accounts audited (income over £1m) to include a statement about the following in their trustees' annual report.

- The charity's approach to fundraising activity, and in particular whether a professional fundraiser or commercial participator was used.
- Details of any voluntary fundraising schemes or standards which the charity or anyone fundraising on its behalf has agreed to.
- Any failure to comply with a scheme or standard cited.
- Whether and how the charity monitored fundraising activities carried out on its behalf.
- How many complaints the charity or anyone acting on its behalf has received about fundraising for the charity.
- What the charity has done to protect vulnerable people and others from unreasonable intrusion on a person's privacy, unreasonably persistent approaches or undue pressure to give, in the course of or in connection with fundraising for the charity.

Although this required statement is not mandatory for the current reporting period, the trustees will need to ensure that the relevant information is available to enable them to comply with this requirement in the future.

Linked to this the Commission has issued new guidance on fundraising for trustees in CC20 as explained below.

The Act also gives charities a new specific and simple power to make social investments along with clear duties when doing so. This power has now come into force and to reflect this change the Charity Commission has updated its publication CC14 Charities and investment matters: a guide for trustees and also issued an interim guidance "Social Investment by charities - the new power introduced by the Charities (Protection and Social Investment) Act 2016". This guidance is available on the GOV.UK website:

https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14

The Act can be seen on the GOV.UK website :
http://www.legislation.gov.uk/ukpga/2016/4/contents/enacted

Charity Commission – New fundraising guidance in CC20

Linked in with the new reporting requirements on fundraising for trustees and also the recent research on public trust in charities, the Commission has published new guidance for charity trustees about fundraising from the public, CC20. The guidance sets out 6 key principles to help trustees comply with their legal duties when overseeing their charity's fundraising and ensure that they meet their responsibilities. These principles are:

- planning effectively;
- supervising your fundraisers;
- protecting your charity's reputation, money and other assets;
- identifying and ensuring compliance with the laws and regulations that apply specifically to your charity's fundraising;
- identifying and following any recognised standards that apply to your charity's fundraising; and
- being open and accountable.

The guidance also provides a useful checklist for trustees to document the steps taken to ensure compliance with these principles which should be completed and regularly reviewed to demonstrate that the board is aware of their responsibilities and discharging them as required. The disclosure requirements are also discussed.

The guidance is available on the GOV.UK website:

https://www.gov.uk/government/publications/charities-and-fundraising-cc20

Alongside this new guidance, a new independent regulator of charitable fundraising has been launched who will begin registering charities soon. Support for the Fundraising Regulator will be vital to address public concern about these issues. The Charity Commission encourages all charities to sign up for communications from the regulator via its website, https://www.fundraisingregulator.org.uk/.

Charity Commission – Updated financial guidance in CC25

On 16 March 2017 the Commission issued an updated version of a key part of their financial guidance to trustees - CC25 Charity finances: trustee essential.

Although the Commission confirmed that trustees' legal duties regarding financial management haven't changed, the Commission is making a conscious push to ensure trustees are best placed to protect their charity's assets and resources. As part of this, it is urging trustees to read Charity finances: trustee essentials (CC25) which has been refreshed and made more accessible and readable. They also noted that it is vital that trustees are familiar with the charity's governing document, understand the finances, ensure control and procedures are in place and work, and ask the right - and sometimes difficult – questions.

Robust financial management is vital to ensure that charities are able to meet the needs of their beneficiaries and also to increase public trust and confidence in the charitable sector.

CC25 is available from the GOV.UK website https://www.gov.uk/government/publications/managing-charity-assets-and-resources-cc25 .

Charity Commission – 15 questions trustees should ask

In addition to updating CC25 as above, the Commission at the same time have made some changes to their 15 questions checklist to improve the clarity in this document.

The 15 questions aim to help trustees whenever you review the way your charity operates, especially in changing or uncertain economic climates. In particular, it can help structure discussions about what your charity does and how it does it, make sure your charity is financially secure, even in tougher economic times, develop plans and timetables for action and demonstrate you are responding appropriately to change. It also provides links to more detailed Commission guidance where relevant.

The 15 questions can be obtained from the GOV.UK website https://www.gov.uk/government/publications/charity-trustee-meetings-15-questions-you-should-ask .

Consultation on reporting serious incidents in charities

The Commission is currently analysing feedback on proposed changes to its reporting serious incidents guidance.

Charities have had to report serious incidents to the Commission since 2007. The most common types of incidents reported include fraud, theft and confirmed safeguarding issues. However, the Commission is concerned that their casework continues to find serious incidents that should have been reported but were not.

The key changes in the proposed guidance include the following.

- Making it clearer what to report, how and when – encouraging reporting at the time the incident occurs, or as soon as possible afterwards.
- An updated section to help with multiple reporting for larger charities, or those that report incidents on a regular basis, due to the risks arising from the nature of their work.
- Removing the need to report some types of incident, where these are risks rather than serious incidents, and where the relevant information about the risk is now requested in the annual return.
- Adding some new types of incidents – which charities are experiencing on a regular basis and/or struggling to manage properly.

More details of the proposed updated guidance can be seen on the GOV.UK website

https://www.gov.uk/government/consultations/reporting-serious-incidents-in-charities-consultation .

Charity Fraud Awareness

The following message has been issued by Michelle Russell, Director of Investigations Monitoring and Enforcement at the Charity Commission:

"Fraud can thrive in an environment of weak governance and poor financial management, so we are reminding charity staff and trustees to seek out the good practice guidance that is widely available and to review their charity's financial controls and procedures. We're keen to work closely with charities to improve their fraud resilience and hope that the new site will enable charities to access and learn from the best practice that's already out there." The site referred to is http://charitiesagainstfraud.org.uk/

This includes a useful page on current fraud scams to be aware of and what you can do to protect your charity and/or recognise them.

Mandate Fraud

Mandate fraud continues to be a significant fraud loss to the charity sector. Mandate fraud occurs when the fraudster tricks a victim into changing bank account details, in order to divert legitimate payments intended for a genuine organisation (e.g. a charity supplier) to bank accounts instead controlled by fraudsters. This often involves the fraudster impersonating an organisation representative, either by email, direct mail or telephone communication. The fraudster may also use headed paper and/or the company logo to lend credibility and to gain the charity's trust. Liability for any financial loss normally falls to the charity.

FALCON, the Fraud and Linked Crime Online team at the Metropolitan police, have launched an initiative to raise awareness of this type of fraud. Police fraud prevention officers will provide charities with best practice advice and guidance on fraud reduction strategies. For further information contact sterling@met.police.uk, or download a mandate fraud awareness poster. For information on FALCON, guidance on protecting yourself against scams, and current police fraud alerts visit the Fraud Alert page on their website.

http://content.met.police.uk/Article/Mandate-fraud/1400013159214/1400013159214

Donations to Charities (Gift Aid Declarations) Regulations 2016

These Regulations, which come into force on 6 April 2017, are intended to make it easier for donors to give Gift Aided donations to charities through digital channels, such as online, SMS text messages and twitter.

These digital channels are often hosted by businesses with expertise in information technology. These businesses are referred to as donor intermediaries and often collect donations and Gift Aid Declaration ("GAD") details from donors on behalf of multiple charities.

The Regulations will give donor intermediaries the ability, when authorised by the donor, to create GADs on the behalf of a donor for the rest of a tax year.

The regulations require that the donor intermediary must give an explanation of the effect of section 424 of ITA 2007 to the donor before creating any GADs on their behalf. They must also, by the 31st May immediately following the end of a tax year during which a donor intermediary has given a gift aid declaration on behalf of a donor, send the donor (unless they made only one donation or the aggregate value of their donations was £20 or less) a statement in writing setting out prescribed information in relation to that donor.

The regulations are available on the Gov.UK website http://www.legislation.gov.uk/uksi/2016/1195/contents/made

Common Reporting Standard

Grant-making charities may be caught by this new legislation if it derives more than 50% of its gross income from investment activities (but not property investments) and the investment assets providing this income are managed by a financial institution (Stock Broker, Investment Manager or similar) because you are regarded as a "Financial Institution" under the Common Reporting Standard (see https://www.gov.uk/guidance/automatic-exchange-of-information-guidance-for-charities for further information).

The Standard requires you to report certain information about grants and other payments to beneficiaries who come under foreign tax jurisdictions using the HMRC's Automatic Exchange of Information. This is relevant to year-ends beginning 31 December 2016 and you will have to the next 31 January to report the information required. Even if you know that there have been no payments to beneficiaries (individuals or entities) your charity is within the scope of this Standard, because you will need to consider the due diligence requirements on the beneficiaries. This means that you will need to retain information to prove that the beneficiary does, or does not, require to be reported on the Information Exchange. So, you are subject to the reporting requirements now, and you will need systems in place to capture the required information and undertake the necessary due diligence.

Therefore, every time you make a grant or loan, or issue a bond, you will need to obtain information from the beneficiary that includes their tax status, and the tax jurisdiction under which they operate. If that is the UK, that is all you need to do, other than retain the information to demonstrate your due diligence and compliance.

The reportable information includes personal details of the beneficiary (name and address), date of birth (for individuals), their tax identification number and the relevant jurisdiction, the total gross amount paid in the period of the report, any balance due to be paid to the beneficiary beyond the end of the period of the report and certain information about you as a "Financial Institution".

If you need to report and do not yet have an online gateway with HMRC, you will need to apply to have one set up as this will be the method by which the information exchange will take place.

If you have any issues you wish to discuss on these or any other matters, please do not hesitate to contact Detlev Anderson at Ryecroft Glenton.

Appendix 1: Statement of Adjustments Made As Agreed With Informed Management

Audit adjustments that affect the surplus

Net surplus per Academy records before adjustments		146,326
Correction of depreciation postings	-	326,325
Aon pension adjustment	-	72,000
Reversal of 2016 accruals		124,662
Reversal of 2016 prepayments	-	133,882
Provision of 2017 audit fee	-	6,500
Rates prepayment for 2016/17		9,548
Capitalisation of costs (net of depreciation on those costs)		1,936
Additional accrual for Diocesan contribution	-	4,126
Deficit per financial statements, before actuarial losses	**-**	**260,361**

Appendix 2: Extract from the Academies Financial Handbook 2017 - what has changed in this edition.

Changes to the Academies Financial Handbook

The 2017 Academies Financial Handbook should be applied by Academies from 1 September 2017. There are only a few changes to the handbook this year and none of great significance. As usual, the changes are helpfully summarised in the first section of the Handbook. We reproduce that section below, along with our assessment of the impact of the change on your Academy:-

Key to our assessment of impact on the Academy
Red – a change may be required to your procedures or controls
Orange – particular matters are more strongly emphasised
Green – information or guidance
Black italics - additional comment

Governance

- Updated information about the roles of members and trustees to provide greater understanding of expectations, including emphasis on having significant separation between the roles.
  The DfE's view is that the most robust governance structures will have a significant degree of separation between the individuals who are members and those who are trustees. If members also sit on the board of trustees this may reduce the objectivity with which the members can exercise their powers. The DfE recommends that a majority of members should be independent of the board of trustees.

- Reminding trusts that the 'seven principles of public life' apply to everyone holding public office (1.1.2).

- Confirming that annual letters to trusts' accounting officers from ESFA's accounting officer about the accountability framework must be discussed by the board with action taken where appropriate to strengthen the trust's systems (1.5.5).

- Including additional information for trusts about improving efficiency (1.5.11).

- Emphasising the importance of addressing any skills gaps on the board at key transition points such as growth periods in the trust (1.5.16).

- Highlighting the Department for Education's (DfE's) competency framework for governance to use when determining skills gaps (1.5.16).

- Explaining that trusts should refer to the key features of effective governance in the Department's Governance Handbook when assessing their effectiveness (1.5.17).

- Introduce additional information about the appointment of the trust's statutory auditor (4.1.1).

- Emphasising that the trust's record of key individuals on Edubase must remain up to date (4.7.4).

- Trusts are pointed towards ESFA's investigation reports and to its guidance on reducing the risk of financial irregularity, which trusts should consider when managing their own risks (4.8.3 and 4.8.4).

Financial control

- Updated the references to submission of budget information to ESFA to reflect changes in reporting requirements (2.2.3).

- Emphasising that decisions about levels of executive pay must follow a robust evidence-based process (2.3.5).

- Explained that repercussive transactions require ESFA approval, alongside those that are novel or contentious, and that ESFA may refer these to HM Treasury (3.3.1).
  NB Repercussive transactions are those which are likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

- Clarified that trusts' delegated authority to make non-statutory/non-contractual staff severance payments under £50,000 is before income tax and other deductions (3.7.6).

- Updated the handbook to reflect the Department's introduction of an academies' sector annual report and accounts (4.1.6).