

Buckinghamshire UTC.

Audit findings report

Year ended 31 August 2020



The Board of Trustees
Buckinghamshire UTC
Oxford Road
Aylesbury
Buckinghamshire
HP21 8PB
22 December 2020

Dear Sir / Madam

Buckinghamshire UTC.
Audit findings for the year ended 31 August 2020

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. The audit of the UTC's financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Laura Hinsley.

Yours faithfully

Azets Audit Services

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Executive summary

Audit overview

This table summarises the key findings from the statutory audit of Buckinghamshire UTC. for the year ended 31 August 2020 for those charged with governance.

Audit opinion – financial statements	<ul style="list-style-type: none">• We do not propose any modifications to our audit opinion which is unqualified.• We note that the adoption of the going concern assumption is appropriate however we have reported a material uncertainty in relation to this due to the UTC’s worsening financial position and continued challenges faced with student recruitment. Our audit report is not modified in respect of this.• Our audit work is complete and there are currently no matters which would require modification of our audit report.
Regularity opinion	<ul style="list-style-type: none">• We propose a modification to the regularity opinion which is qualified in regards to the lack of an internal audit function contradicting section 3.15 of the Academies Financial Handbook 2019.
Key findings on audit risks and other matters	<ul style="list-style-type: none">• We have reported our audit findings on pages 6 to 12 and audit adjustments on page 13. The impact on the UTC’s net expenditure is a decrease in net expenditure of £86,000 to £336,000.• We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable
Audit adjustments	<ul style="list-style-type: none">• We are required to communicate all potential adjustments, other than those considered to be clearly trivial, to management and to request that management corrects them. Details of the audit adjustments are on page 13 and on page 14 we acknowledge that there are no unadjusted errors.
Accounting systems and internal controls	<ul style="list-style-type: none">• We have applied our risk based methodology to your audit. This approach requires us to document, evaluate and assess your business processes and internal controls relating to the financial reporting process.• Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have reported these to you on page 15.

Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

Our assessment of materiality for this year ended 31 August 2020 was calculated as follows.

	Value (£)	Explanation
Overall materiality for the financial statements	21,765	1.5% of Expenditure. Accounts materially misstated where total errors exceed this value.
Performance materiality	15,236	70% of Materiality. Work performed to capture individual errors at this level.
Trivial threshold	1,088	5% of Materiality. All errors greater than this are reported.

Significant findings

Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Audit approach	Audit findings and conclusion
Fraud in revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.	<ul style="list-style-type: none">• Reviewed and tested revenue recognition policies for appropriateness and consistency with the prior year, academies accounts direction and the SORP.• Carried out detailed substantive testing on material revenue streams.	We have no issues to bring to your attention regarding this matter.
Management override of controls Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.	<ul style="list-style-type: none">• Reviewed accounting estimates, judgements and decisions made by management.• Performed detailed testing of unusual and high risk journal entries.• Reviewed unusual significant transactions.	We have no issues to bring to your attention regarding this matter.

Significant findings (continued)

Risk	Audit approach	Audit findings and conclusion
<p>Regulatory Risk The academy has a number of laws and regulations to adhere to.</p>	<ul style="list-style-type: none">The regulations in place for the UTC have been reviewed and checked against supporting documentation such as controls in place or meeting minutes to sure they have been complied with.	<p>We have noted a number of control weaknesses we wish to bring to management's attention which are reported in the "Internal Controls" section of this report, the main of which is detailed below also.</p> <p>During the period 1 September 2019 to 31 August 2020 it was noted that Buckinghamshire UTC. did not engage an independent internal auditor in order to deliver the internal scrutiny required by section 3 of the Academies Financial Handbook 2019.</p> <p>Buckinghamshire UTC are in the process of engaging such a review and this will be performed retrospectively. Our opinion on Regularity is qualified in respect of this matter.</p>

Significant findings (continued)

Risk	Audit approach	Conclusion
<p>Going Concern From our work conducted in the prior year and discussions with management, there is uncertainty over the academy's ability to continue as going concern. We understand the UTC is undergoing a merger with a MAT which was initial expected to happen from 1 September 2020 but has experienced delays.</p>	<ul style="list-style-type: none"> • Forecasts have been obtained and reviewed up to 2024. • Discussions have been held with management to understand the appropriateness of the going concern basis of accounting as well as obtaining an update as to the position of the merger with a MAT • Legal documentation has been obtained and reviewed which sets out the UTC's position as well as the Regional Schools Commissioners views. • Extraordinary Board meeting minutes have been obtained and reviewed for decisions made in relation to the UTC's future. 	<p>As at the 31 August 2020, the UTC recorded a negative net expenditure of £311,000 (2019: £167,000) and the cashflow forecasts show a negative cash position by September 2021, if a practicable solution isn't secured for the UTC's future by then.</p> <p>The long-term financial sustainability of Bucks UTC depends ultimately on the Academy reaching a financially balanced regular intake of students and/or the joining of a suitable MAT. Our hope is that a steady recruitment of students can be achieved through the joining of an existing MAT, thus allowing sharing of resources and expertise.</p> <p>In October 2020, the Regional Schools Commissioner for North West London and South Central (RSC) refused the proposed transfer of the UTC into MTOAT. They made a recommendation that the UTC should consider closing by 'mutual agreement' with the Secretary of State for Education. On 5 November 2020, the Board unanimously voted to reject the suggestion from the RSC and formally communicated this to the RSC on 13 November 2020. As at the date of signing the financial statements, MTOAT are preparing a revised business case for submission to the DfE and the UTC is completing further work on other contingency plans. The UTC continues to adopt the going concern basis in preparing the financial statements. However, for the reasons set out above, the Trustees consider that a material uncertainty exists in relation going concern. The future sustainability of the UTC is dependent on either student numbers increasing to a sustainable level or the UTC joining an existing MAT by September 2021.</p> <p>Note: we have amended the wording in the final version of the financial statements to remove reference to information not in the public domain. Our audit opinion remains with a material uncertainty with regards to going concern.</p>

Other findings

Other identified risks	Audit approach	Audit findings and conclusion
Related party transactions There is a risk that related party transactions are inaccurate or understated within the accounts	<ul style="list-style-type: none">• Discussions held to determine who is a related party.• Reviewed normal ledger for any potential related party transactions	We have no issues to bring to your attention regarding this matter.
Restricted Funds There is a risk that the restricted funds have not been spent in accordance with the restrictions imposed by the agreements.	<ul style="list-style-type: none">• Income received from grants has been reviewed to ensure restriction understood.• A sample of expenditure has been reviewed to ensure spending in line with restrictions.• Amounts carried forward into future years reviewed for reasonableness and to ensure within terms of grant received and spent in the year.	We have no issues to bring to your attention regarding this matter.

There were no changes to our audit plan previously communicated to you on 20 October 2020.

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Management's assessment of going concern	Audit work performed	Audit findings and conclusion
<p>As at the 31 August 2020, the UTC recorded a negative net expenditure of £311,000 (2019: £167,000) and the cashflow forecasts show a negative cash position by September 2021, if a practicable solution isn't secured for the UTC's future by then. The long-term financial sustainability of Bucks UTC depends ultimately on the Academy reaching a financially balanced regular intake of students and/or the joining of a suitable MAT.</p> <p>In October 2020, the Regional Schools Commissioner for North West London and South Central (RSC) refused the proposed transfer of the UTC into MTOAT. They made a recommendation that the UTC should consider closing by 'mutual agreement' with the Secretary of State for Education. On 5 November 2020, the Board unanimously voted to reject the suggestion from the RSC and formally communicated this to the RSC on 13 November 2020. As at the date of signing the financial statements, MTOAT are preparing a revised business case for submission to the DfE and the UTC is completing further work on other contingency plans. The UTC continues to adopt the going concern basis in preparing the financial statements.</p> <p>However, for the reasons set out above, the Trustees consider that a material uncertainty exists in relation going concern. The future sustainability of the UTC is dependent on either student numbers increasing to a sustainable level or the UTC joining an existing MAT by September 2021.</p>	<p>We have held discussions with management as to the appropriateness of the going concern basis of accounting, with particular focus on the correspondence and updates obtained with regard to joining a MAT.</p> <p>We have reviewed the legal advice obtained with regard to the position of the UTC given the RSC's proposal to close by 'mutual agreement' and review the minutes of the Board meeting held on 5 November 2020 rejecting this proposal.</p> <p>We have reviewed the three year cash forecast along with the updated business plan.</p> <p>We have reviewed management's disclosures relating to going concern in note 1.2 for reasonableness</p>	<p>We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and appropriate disclosure relating to the material uncertainties are included in note 1.2 to the financial statements and the Trustees' Report. Our audit report refers to the material uncertainty although our opinion is not modified in respect of this matter.</p>

Accounting policies, key judgements and estimates and disclosures

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Critical accounting estimates and areas of judgement

The Trust disclose the present value of the Local Government Pension Scheme as a critical accounting estimate and area of judgement. This is due to the liability being a defined benefit pension scheme and is dependent on a number of factors which are determined on an actuarial basis using a variety of assumptions.

We are satisfied that the disclosure within the financial statement accurately reflect the actuarial report produced by Barnett Waddingham at 31 August 2020 and we have considered data provided to the actuary as well as assessed the reasonableness of assumptions within the report.

Disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Trust.

Material uncertainty regarding going concern has been disclosed appropriately with the Trustees Report and the Accounting Policies at 1.2.

Conclusion

We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the Trust.

Other communication requirements

Fraud or suspected fraud

We have previously discussed the risk of fraud with management and have not been made aware of any instances of fraud.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose. In the event that the directors wish to obtain enhanced assurance with regard to the effectiveness of internal control in preventing and detecting fraud we should be happy to provide additional services.

Non-compliance with laws and regulations

We are aware of non compliance with the ESFA's requirement to complete enhances DBS procedures on the Chairman appointed in year. The Trust brought this to our attention and since the year end, have expediated this procedure.

There are also may other laws and regulations relating to health and safety as well as human resources generally and industry specific requirements. We are not aware of any significant incidences of non-compliance.

Written representations

We enclose the final draft letter of representation alongside this document] which we will request the Board to sign at the same time as the financial statements are approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

We have received all external confirmations.

Misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Details of items corrected following discussions with you and your team are set out below.

Adjusted misstatements

No	Detail	Statement of financial activities		Balance Sheet		Net expenditure impact
		Dr £	Cr £	Dr £	Cr £	
	Net expenditure as presented for audit					(250,000)
1	Write off of creditors over three years old not longer considered payable Creditors Other costs		13,792	13,792		13,792
2	To correct accrual of rent which was omitted Accruals Expenditure	1,597			1,597	(1,597)
3	Prepayment and accrued income adjustment to take account of items not previously recognised Prepayments and accrued income Expenditure	7,004			7,004	(7,004)
4	Correction of understatement of deferred income	24,319			24,319	(24,319)
5	Pension adjustment per the actuarial report	67,000			67,000	(67,000)
	Net expenditure per audited accounts (rounded)					(336,000)

Misstatements (continued)

Unadjusted misstatements

There are no unadjusted misstatements to bring to your attention.

Internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have reported these to you below.

Area	Observation	Implication	Recommendation	Management response
No internal scrutiny function exists	Upon completion of the regularity work and discussion with management, during the year, the UTC did not have an internal scrutiny function in existence	During the period 1 September 2019 to 31 August 2020 it was noted that Buckinghamshire UTC. did not engage an independent internal auditor in order to deliver a programme of internal scrutiny work required by Part 3 of the Academies Financial Handbook 2019.	Ensure an internal scrutiny function is in place for the 2020 – 2021 financial year	Noted, this is in progress.
Only two members within the UTC	Per section 4.14 of the Academies Financial Handbook 2019, the UTC should have a minimum of three members. Bucks UTC has two.	Requirement per section 4.13 of the Academies Financial Handbook 2019 to have at least three members	Ensure appointment of members is in line with requirements of the Academies Financial Handbook.	There are three members within the UTC and this inconsistency will be noted and addressed.

Internal controls (continued)

Area	Observation	Implication	Recommendation	Management response
No enhanced DBS check carried out on Chair	From discussions with management and completion of regularity testing, it was noted that the Chair did not have a DBS search carried out when taking on the role.	This is in breach of the ESFA requirements for academy trust chair suitability checks	Ensure all DBS checks are performed prior to appointment of all roles	Noted, this is in progress.
Expenses not approved	During our regularity testing, it was noted that one sample tested did not have approval for the expenses submitted.	Increases the risk for non legitimate expenditure attributable to the UTC to be claimed	Ensure all expenses are approved before they are paid.	The control environment will continue to be strengthened over the next year.
Lack of documentation of tender decisions	Walking through a tender as part of our regularity testing highlighted a weakness in the documentation of justification as to how the supplier chosen was approved	Lack of documentation indicates a poor audit trail to confirm policies and procedures have been followed	Ensure all procurement decisions are agreed and minutes in line with policies and procedures	The control environment will continue to be strengthened over the next year.

Internal controls (continued)

Area	Observation	Implication	Recommendation	Management response
Poor minute records and inconsistent attendance records	During the review of minutes we noted inconsistencies regarding lack of apologies being documented and apologies being noted for trustees who had previously resigned. We also noted one governor had been noted as absent and in attendance. In addition we noted non timely write up of minutes from a meeting in March 2020	Inaccurate minute reporting is not best practice and can lead to governance issues and non compliance	Ensure all minutes are an accurate reflection of meetings and written up and approved in a timely manner.	The control environment will continue to be strengthened over the next year.

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Internal controls (continued)

Area	Observation	Implication	Recommendation	Management response
Inconsistencies noted between Trustees reported on Companies House, the UTC.'s website and the Get Information About Schools (GIAS) website	We encountered challenges ensuring complete reporting of all trustees in position in year. We have gained comfort over this by checking back to different sources and discussions with management.	Potential to omit trustees from the financial statements	That all websites are kept up to date to reflect the correct position of who is a trustee	The control environment will continue to be strengthened over the next year.
No register of interests provided	No register of interests has been provided when requested.	Risk that interests have not been disclosed which should be included as part of the related parties considerations.	We have been able to refer to interests listed on Companies House however we recommend that the UTC hold their own records encompassing all senior members of staff	Audit have now been provided with these.

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Independence

In accordance with our profession's ethical guidance and further to our audit letter to you dated 20 October 2020 confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

Non-audit services

The following non-audit services were provided by [company] audit services in the year.

Non audit service	Fees £	Potential threats	Safeguards applied
Preparation of financial statements (including annual accounts return)	3,150	Self review	Separate teams are in place for the accounts preparation and annual accounts return work. The self review threat is mitigated by separate teams conducting the different services within separate offices.
		Self interest	The fees are considered to be immaterial to Azets and the Trust and therefore the self interest threat is mitigated. There are no non contingent elements to the non audit services fees.
Teachers Pension	1,050	Self interest	<p>The fees are considered to be immaterial to Azets and the Trust and therefore the self interest threat is mitigated. There are no non contingent elements to the non audit services fees.</p> <p>There is no self review threat for teachers pension work performed as this does not feed directly into the financial statements or audit work performed.</p>



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