

Our Ref: TQHA1373/WH/MF/EW
Your Ref:
Date: 16 November 2021



PRIVATE & CONFIDENTIAL

The Board of Trustees
Hayes School
Hayes Road
Paignton
Devon
TQ4 5PJ

Dear Sirs

2021 Audit and Regularity Assurance Engagement of Hayes School

Introduction

In order to carry out our duties and responsibilities as auditors, we are required by International Standard on Auditing (UK) 260 "*Communication with those charged with governance*" ("ISA 260"), to communicate matters arising from the audit of the above named Academy Trust to you.

Our fieldwork is complete and we propose to issue an unmodified audit report for the year.

Our Approach to the Audit

Our work was planned to provide a focused and robust audit, so as to:

- Provide an independent opinion as to whether the financial statements give a true and fair view; and;
- State whether the financial statements have been properly prepared in accordance with the Companies Act 2006 and the relevant Academies Accounts Direction (AAD).

Our work was also planned to provide a "limited assurance" report on regularity in accordance with the relevant AAD issued by the Education and Skills Funding Agency (ESFA).

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

When planning our audit work, we sought to minimise the risk of material misstatements occurring in the financial statements. To do this, we considered both the risk inherent in the financial statements themselves and the control environment in which your Academy Trust operates. We then used this assessment to develop an effective approach to the audit.

Based on our knowledge of the Academy Trust, we assessed the risks to the Academy Trust and planned our audit with regard to these risks. Our auditing standards require us to include the following as significant risks:

- Management override; and;
- Revenue recognition.



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Responsibilities of the Trustees

The trustees are responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary.

The matters dealt with in this letter came to our attention during the conduct of our normal audit and assurance procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the above Academy Trust and providing a limited assurance conclusion on regularity.

In consequence our work did not encompass a detailed review of all aspects of the systems and controls and cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

We would be pleased to discuss any further work in this regard with trustees and/or management.

Qualitative Aspects of Accounting Practices, Regularity and Financial Reporting

The following key audit and accounting issues were discussed and agreed at our closing audit meeting with Mark Hanbury and Allison Grant.

- Accounts presentation

- Trustees' report

Audit Materiality

In carrying out our audit work we considered whether the financial statements are free from 'material misstatement'.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the amount and the nature of the misstatement. Thus different materiality levels may be appropriate when considering different aspects of the financial statements.

The assessment of whether a misstatement is material in the context of the regularity assurance report has been evaluated in the same way as the "true and fair" audit of the financial statements, as noted above.

Unadjusted items

We do not deem the total of the unadjusted items to be material to the financial statements. Within our letter of representation, we request you confirm that the effects of not recording such misstatements identified in the financial statements are, both individually and in the aggregate, immaterial to the financial statements of the Academy Trust as a whole.

Audit adjustments

During the course of our audit, we have identified adjustments which have been processed in the financial statements, on the agreement of management. These are attached to the letter of representation.

Internal financial controls

Our review of the Academy Trust's system of internal control is carried out to assist us in expressing an opinion on the financial statements of the Academy Trust as a whole. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist. Accordingly, we refer only to significant matters which have come to our attention during the course of our normal audit work and do not attempt to indicate all possible improvements which a special review might reveal.

Accompanying this letter is a memorandum noting our significant control observations together with any recommendations we have for possible improvements which could be made. See Appendix I.



Regularity assurance engagement findings

We conducted our regularity assurance engagement in accordance with the relevant AAD issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement included examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy Trust's income and expenditure.

We propose to issue an unmodified regularity assurance report for the year.

Appendix I also includes regularity issues brought to your attention in connection with the regularity assurance engagement.

Your comments

We would be grateful if you could enter your comments against each point under the "management response" column of Appendix 1 and return it to us in due course. This letter will be submitted to the ESFA with the Financial Statements.

This letter has been prepared for the sole use of the Board of Trustees, Governors, management and others of the Academy Trust. We understand that you are required to provide a copy of this report to the Education and Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, no reports may be provided to third parties without our prior consent. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this report.

Finally we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our audit, please do not hesitate to call us.

Yours faithfully

BISHOP FLEMING LLP

APPENDIX I

Control Observations and Recommendations

Description & Impact	Recommendation	Management Response	Category
Current year observations			
No new current year observations.			
Update on previous year observations			
VAT Differences There are several brought forward VAT differences due to no reconciliation being performed historically. Whilst this is currently trivial, it may impact the accuracy of management accounts which are presented to the Board of Trustees if a monthly reconciliation is not performed	We recommend that VAT reconciliations are performed monthly and unrecoverable VAT is cleared from the VAT control account.		
Register of Interests It was noted during the review of the register of interests that it does not include all information as required by the Academies Financial Handbook. One governor failed to update their declarations of interest for entities that they have business interests with. One governor did not have a signed declaration. There is a requirement (AFH 3.10.8) to include: <ul style="list-style-type: none">• The name of the related party;• The nature of the relationship (ie shareholder, director, trustee etc);• The nature of business; and• The date the interest began.	We recommend that the register is updated to include all required information. We would also recommend that the register is circulated at each board meeting, to give the opportunity for any newly identified related parties to be recorded. We would encourage this document to be treated as a live document, and not just updated once a year. 2021 Update: Register of interests includes all requirements under the AFH.		



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Allocation of voluntary trip income and expenditure

Due to further guidance published by the EFA, voluntary trip income and expenditure should be analysed as restricted funds, separate from the trip income which must be paid by the parents to ensure their child can attend the trip.

We recommend new Sage codes are set up to post the voluntary income and expenditure separately from the compulsory funds.

2021 Update:

Total trip income is trivial this year, therefore we have cleared the point.



Trustees per Companies House

It is a requirement for all trustees to be listed as directors on Companies House. Review of Companies House officers has showed that many trustees are not listed and two of the trustees that are listed have resigned.

We recommend that all trustees are listed on Companies House and that this is kept up to date for appointments and resignations.

2021 Update:

All current Trustees are listed as directors per Companies House.



Nominal Coding

Pay and Pension grants received in the year were mapped to the Mainstream Grant map code which combined a number of different income streams which are required to be shown separately in the notes of the financial statements.

We recommend creating a new nominal code for future Pay and Pension grants to ensure they are identified as separate grant and being posted to the correct place to ensure that they can be appropriately disclosed in the financial statements.

2021 Update

Teachers pay and pension grants have been allocated to separate nominal accounts in the year.



Purchases

During our review we identified purchase transactions where the Academy procedures manual had not been precisely followed. We discussed with management and have confirmed that expenditure has had sufficient approval before being incurred.

We recommend that the Academy reviews the procedures in place to ensure these are sufficient yet not onerous.

2021 Update

No evidence of this recurring.





Retention of HR Documents

During our testing, we noted that ID is currently being destroyed once Right to Work checks have been performed. A DBS certificate is retained instead.

We recommend that copies of ID are retained, signed and dated, and stored securely in the future in order to comply with government right to work guidance.

Per Gov right to work guidance, copies of ID should be retained as evidence and should be signed and dated when they are checked.

2021 Update:

New employees had ID, signed and dated contracts we are therefore happy that the system have changed.



Errors on working papers

A number of the documentation and workpapers provided included errors and inconsistencies to accounting guidance and prior year treatments. These would have amounted to a material error to the financial statements had they not been amended and several journals were posted to correct this after the audit process began. This included Pupil Premium not being included in the Accrued Income schedule and Pupil Premium and a DFC grant being included in a Deferred Income schedule. Some schedules were provided without the adjustments having been made.

We recommend that working papers are routinely maintained to ensure they are accurate and to prevent mistakes being made during the year end process.

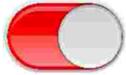
2021: Update

No evidence of this recurring.





KEY:



Financial - Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.

Governance – Observations that are so fundamental to good governance and should be addressed immediately to minimise the risk of governance failings.



Financial - Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.

Governance – Observations that are important to good governance and should be addressed to minimise the risk of governance failings and to help improve procedures.



Financial - Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.

Governance – Observations that if would help to improve and embed good governance practices but is unlikely to lead directly on its own to governance failings.



Observations made in the previous year have been resolved.