

Our Ref: TQHA1373/WH/MF/P J
Your Ref:
Date: 20 January 2021



PRIVATE & CONFIDENTIAL

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

Dear Sirs

2020 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

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

APPENDIX I

Control Observations and Recommendations

Description & Impact	Recommendation	Management Response	Category
Current year observations			
Retention of HR documents			
<p>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.</p> <p>Per Gov right to work guidance, copies of ID should be retained as evidence and should be signed and dated when they are checked.</p>	<p>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.</p>	<p>We have been taking ID, performing ID checks and using ID to carry out DBS checks. Once the DBS check was returned we destroyed the ID as we believed we could not keep personal information after it had been used for the purposes for which it was obtained.</p> <p>This is in line with our records retention schedule. We reported this to Bishop Fleming last year as our procedure has not changed and it was agreed we had followed our procedures and it was not a matter to appear on our management letter.</p> <p>We have now seen guidance to say the information must be held so we will collect and keep ID for all new staff in future.</p>	
VAT differences			
<p>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 being performed.</p>	<p>We recommend that VAT reconciliations are performed monthly and unrecoverable VAT is cleared from the VAT control account.</p>	<p>This is the same procedure we had last year. Auditors were informed and trustees agreed.</p> <p>We now have a new finance officer who will ensure VAT reconciliations are performed monthly and cleared from the VAT control account.</p>	



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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 begun. 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. In some of the 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.

No journals have been made since the audit process began.

Income was received by the former finance officer who did not allocate this correctly in Sage and left no details regarding this.

The new finance officer is a highly experienced qualified accountant who will ensure working papers are routinely maintained.



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 to 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.

The new finance officer will ensure these are split in future.



Update on previous year observations

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:

- The name if 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.

2019/2020 Update

This remains a current issue.

Furthermore, the Register of Interests on the website is out of date therefore not following the Academy Financial Handbook guidance.

None of the declarations provided were in date and a number of declarations were missing.



COMMENT 2019/20

We explained to auditors that we have not physically met with auditors this year and the first actual meeting of the year was 16th

November 2020. At that meeting this was discussed with governors and they agreed to return 2020/21 declarations asap. The forms will be provided and the website will be updated as information is received.

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.

2019/2020 Update

Both during our walkthrough and substantive testing, the process was not being followed on several occasions. This included requisition orders being completed/approved retrospectively, purchase order missing and some authorisation not in place.

COMMENT 2019/20

During the pandemic, lockdown and partial school opening, we did not have sufficient staff physically available so various invoices were authorised by email then signed when staff were in school. We did not backdate requisitions but have email evidence of approval. We have updated our procedures for 2020/21.



Year end adjustments

The year end financial information did not include the normal year end adjustments such as accruals, prepayments and depreciation. These adjustments had been identified by Sandy (now Emma) but the Sage data was not adjusted.

We recommend that this is done to ensure that the underlying financial records for the academy are complete and comply with all legal requirements. The Sage data should be adjusted for any identified accruals and prepayments prior to the data being used for accounts preparation.

2019/2020 Update

This was the case again in the current year, however we also noted this year that several adjustments were required for errors within the schedules provided. This has already been noted in the Errors on Working Papers point above, therefore this point has been removed to avoid duplication.



COMMENT 2019/20:

The new finance officer will ensure this is carried out as it should be in future.

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.

2019/2020 Update

Trips are still being posted to a singular nominal code rather than be separated although there is a spreadsheet being kept with a breakdown.

COMMENT 2019/20:

This is as agreed with our Trustees as the process would be onerous to split every payment into two different codes.



The new finance officer will look into ways of improving systems.

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.

2019/2020 Update

A trustee who is no longer a trustee (H Hill) per the school website is still listed as a trustee per Companies house. We understand that Companies House is correct and therefore there is an error on the website.



Additionally, a new trustee (I Spencer) in the year has not been added to Get Information About Schools.

COMMENT 2019/20

These have now been rectified and will be kept up to date.

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.