

Our Ref: SM/IC/AC

Your Ref:

Date: 30 October 2017

## **PRIVATE & CONFIDENTIAL**

Whitecross Hereford  
Three Elms Road  
Hereford  
Herefordshire  
HR4 0RN

Company number: 07793019

Dear Sirs

### **2017 Audit and Regularity Assurance Engagement of Whitecross Hereford**

#### **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.

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;
- Unauthorised activities or expenditure being incurred;
- Undetected related party transactions;
- Unauthorised borrowings and leases being in place and;
- Revenue recognition.

### **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 Sue Lusted on 4 October 2017:

- 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 Funding Agency. 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
<b>Current year observations</b>			
<b>Accounting of accruals, accrued income, deferred income and prepayments</b> During the audit it was noticed that the above debtors and creditors were netting off against each other and not split out separately. The audit team worked with the business manager to correctly map each of the balances.	We recommend that accruals, accrued income, deferred income and prepayments are all split out correctly in separate nominal codes.	Considered to be due to Sue's first year and therefore not anticipated to be an issue going forward.	
<b>Recording of Governor appointments and resignations</b> During the audit it was noted that the appointments and resignations of governors were not being disclosed promptly on Edubase and Companies House.	We recommend all appointments and resignations are promptly updated on Edubase and Companies House.	Management consider that documents are completed internally on a timely basis and therefore they will review the processes involved in uploading the data to external databases.	
<b>Bank reconciliation</b> The bank reconciliation should be prepared with the final closing balance as at the reconciliation date. It was noted that for the year end reconciliation, the final balance was not used and the remaining transactions on 31 August 2017 were included as reconciling items.	We recommend that bank reconciliations are prepared using the final balance to avoid risk of error.	Discussed and Sue will correct going forward.	
<b>Prior year observations</b>			
<b>Deferred Income:</b> It was noted during the audit that adjustments in respect of deferred income were required. This was both for annual grants as well as for trip income (for trips taking place in future academic years).	An adjustment has been proposed again in the current year, but not adjusted for as it continues to be considered immaterial.	Management are aware of the need for the adjustment, and agreed with the audit teams conclusion that it is immaterial.	

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**Fixed Asset Register:**

It was noted during the audit that the fixed asset register did not agree to the trial balance. Additionally there were items of a capital nature included within revenue expenditure in the SOFA which required transferring. This was encountered in the current year audit. We recommend that the fixed asset register is reconciled to the TB at each year end. [Sue will prepare this going forward.](#)

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-  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 and to address significant data breaches.
-  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.
-  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