

Our Ref: WRVAY01/AW/IC/JRM

Your Ref:

Date: 14 November 2018

PRIVATE & CONFIDENTIAL

The Board of Trustees
Redditch West School Trust
Tennyson Road
Headless Cross
Redditch
Worcestershire
B97 5BL

Dear Sirs

2018 Audit and Regularity Assurance Engagement of Redditch West School Trust

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.



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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 Nicki Wright on 14th November 2018.

- 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. 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 | | | |
| Responsible Officer checks/Internal Assurance | | | |
| <i>The Academy has not had a complete year of responsible officer checks completed.</i> | <i>It is recommended that internal assurance reviews are completed on at least an annual basis to ensure compliance with the Academies Financial Handbook.</i> | <i>We have engaged Bishop Fleming to complete a Spring and Summer Internal Assurance visit on 12 September 2018.</i> |  |
| Credit Cards | | | |
| <i>From review of credit card expenditure, it was identified that there is little authorisation prior to the expenditure being incurred and credit card statements are not reviewed by someone who does not have access to a credit card. Also, there was one instance where there was no supporting receipt held for a travel expense.</i> | <i>It is recommended that credit card statements are reviewed independently to ensure expenditure incurred is appropriate and all supporting documentation should be retained.</i> | |  |
| Expense claims | | | |
| <i>During our testing, we identified expense claims for S Dunstan, the Headteacher at Vaynor First School, and M Abbott, Crabbs Cross, that had not been authorised.</i> | <i>We recommend that all expense claims, including senior management, are authorised before being paid.</i> | |  |
| Journals | | | |
| <i>Only the finance staff have access to post journals but there is no formal authorisation process in place. In addition, journal vouchers are not prepared, and no separate journal documentation is held outside of the system.</i> | <i>It is recommended that journals are reviewed and authorised, and this control documented.</i> | |  |



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Personnel files

From our wages testing, it was identified that the salary documentation on an employee's personnel file selected as part of our sample was out of date and the contract of employment was not signed by the Headteacher. *We recommend that salary amendment letters are issued to staff so personnel files are up to date and all contracts of employment must be signed by both the Headteacher and the employee.*



Petty cash

The year end petty cash balance is £346 at Vaynor, which exceeds the internal policy limit of £300. In addition, we have noted petty cash transactions during the year which have exceeded the £50 limit. *We recommend that petty cash policies and controls are revisited to ensure that they are appropriate for the academy trust and being appropriately applied.*



Fixed Asset Register

The fixed asset register provided initially did not agree to the nominal accounts in PSF. *We recommend that the fixed asset register is agreed to the accounts once the opening balance adjustments are posted, and then reconciled regularly to the trial balance throughout the year.*



Bank reconciliation

We have identified a recurring difference on the Crabbs Cross current account bank reconciliation. *Whilst immaterial, this has been noted in previous years and therefore we recommend that management investigate and resolve this to prevent it recurring.*



Purchase invoice authorisation

In our sample of purchase invoices selected, there was one instance where an invoice was not authorised. *It is recommended that all purchase invoices are authorised in line with internal limits.*

Update on previous year observations

[2018 Audit Update](#)

Aged Debtors Report

It was noted that there were several credit balances on the aged debtor's reports which have a corresponding debit balance in which they relate to. *We recommend that as good housekeeping these debit and credit balances are appropriately matched against one another.* [No issues were identified during the 2018 audit.](#)





Trust Account

The new Trust account set up for the RAG funding has not been included in the PSF system due to an issues of setting up a new nominal code.

We recommend that a resolution is found to ensure the account can be included on PSF, as it has currently been accounted for via a final adjustment. The Trust account has now been incorporated into PSF.



Purchase order process – Vaynor First School

Some instances where noted whereby the purchase requisition forms were not raised. In addition, some purchase orders were not authorised by the budget holder.

We recommend that purchase requisition forms are always prepared and authorised before orders are placed to ensure sufficient funds are available in the budget and expenditure is appropriate. In addition, purchase orders should be matched with the delivery note and purchase invoice. No issues have been identified during the 2018 audit.



Credit Cards

It was noted that overall the controls around credit cards are good, however, credit card statements are not reviewed by someone who does not have access to a credit card.

It is recommended that credit card statements are reviewed independently to ensure expenditure incurred is appropriate. Credit card statements are still not reviewed by a secondary person. Current year issue has been raised.



Journals

We understand that Becky Ford is the only person with access to be able to post journals, but that there is no authorisation of journals posted.

It is recommended that journals are reviewed and authorised, and this control documented. There is still no formal authorisation process for journals. Current year issue has been raised.



Bank Reconciliations

There was no evidence that bank reconciliations are being reviewed and authorised as part of the month end procedures.

We recommend that all bank reconciliations are reviewed by somebody other than the person preparing the reconciliations, to ensure appropriate segregation of duties. Bank reconciliation are now prepared by Kate and reviewed by Becky.



Petty cash

The year end petty cash balance is £423 which exceeds the internal policy limit of £300. In addition, we have noted petty cash transactions during the year which have exceeded the £10 limit.

We recommend that petty cash policies and controls are revisited to ensure that they are appropriate for the academy trust and being appropriately applied. This issue has not yet been resolved. Current year issue has been raised.





- 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
- 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