

Our Ref: BSHA6021/JS/C/J
Your Ref:
Date: 17 December 2020



PRIVATE & CONFIDENTIAL

The Board of Trustees
Hardenhuish School Limited
Hardenhuish Lane
Chippenham
Wiltshire
SN14 6RJ

Dear Sirs

2020 Audit and Regularity Assurance Engagement of Hardenhuish School Limited

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 The Trustees on 23 November 2020.

- Accounts presentation
- Trustees' report
- Impact of COVID-19

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.

Other matters

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			
Accounting system and control account reconciliations <p>In the prior year we identified that there were differences between the aged creditor listing and the trade creditor control account as well as an opening balance difference. These were because of the change in the finance system last year. Whilst additional controls were put in place to resolve these differences, the nature of the finance system makes reconciliations difficult due to incorrect reports being generated leading to a very manual process.</p> <p>Whilst there was a small difference relating to opening balances this year and still a difference between the aged creditor listing and creditor control account, we also noted that at the year-end there was a balance of £2,753 held within a suspense account. We believe some of this related to fixed asset differences, however £229 remains unreconciled. Suspense accounts should only be used in exceptional circumstances and cleared down as part of the month end process. Any unreconciled balances could indicate a potential error or fraud. This fixed asset difference also mean that the fixed asset register did not reconcile to the accounts.</p> <p>We also identified that the supporting prepayment schedule did not agree to the accounts by £2k. Whilst this is a trivial amount, any unreconciled differences should be investigated and adjusted for if appropriate.</p>	<p>We understand that the licence for the current accounting system expires in August 2021. We therefore recommend that different accounting systems are investigated to better suit the Trust's needs. This will enable the finance team to better perform month end reconciliations and to be able to investigate and differences or issues easier and reduce the risk of errors occurring.</p>	<p>A review of month and year end reconciliation processes has taken place and amendments made to ensure nil difference moving forward. The school will investigate alternative financial software systems to meet the functionality requirements of the Trust's needs.</p>	



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Loan repayments posted to profit and loss

We identified that loan repayments were recognised within the operating activities rather than being posted against the liability. This led to interest accruing on the loans not being recognised appropriately.

We recommend that loan repayments are recognised against the liability balance as they are paid and interest is accrued each month on the interest bearing loans.

Loan repayments will be recognised against the liability balance and interest accrued where relevant.



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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
 -  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