

Our Ref: BSHE6027/JS/CC
Your Ref:
Date: 1 December 2021



PRIVATE & CONFIDENTIAL

The Board of Trustees
Henleaze Junior School
Park Grove
Henleaze
Bristol
BS9 4LG

Dear Sirs

2021 Audit and Regularity Assurance Engagement of Henleaze Junior 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 The Trustees on 19 November 2021.

- 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.

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			
Opening balances			
<i>We identified that the brought forward reserves position did not agree to the prior year signed accounts by £2.7k. This means that the reported resulting during the period in the management information have been misstated. An adjustment has been posted to correct the issue.</i>	<i>We recommend that the opening reserves position is reconciled to the prior year signed accounts as part of the month end process with any differences investigated and reconciled.</i>	Noted and agreed after discussion between trustees and management.	●
Update on previous year observations			
Observation and recommendation	Update on prior year	Management Response	Category
Posting of accrued and deferred income <i>We understood that month end adjustments for prepayments, accruals, deferred and accrued income were not posted in the prior year. These amounts should be recognised each month to ensure the management information delivered to the Trustees is as relevant as possible.</i> <i>We recommended that all month end adjustments for prepayments, accruals, deferred and accrued income are posted as part of the month end process and these nominals are reconciled to supporting schedules.</i>	<i>There appears to be no change this year with many of the balances not updated during the financial year. Our recommendation therefore remains valid.</i>	Noted and discussed. It was agreed that this would not produce any significant added value or additional reliable information for the trustees relative to the other priorities of the school's resources at this current time. Practically this will not be a priority in the coming year.	●



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New accounting system issues

With the use of the new accounting system in the prior year, we identified two issues that resulted in adjustments being made. First we noted BACS payments processed post year end and clearing the bank in September 2020 had been posted into the 19/20 year causing the creditor balance to be misstated by £55,992. We also noted that the bank transfers between the school fund and the current bank account were posted into income and expenditure. This therefore caused overstatement of income and expenditure by £41,278. Whilst both cases had a net £nil effect on profit they were resulting in balances being misstated during the year.

We recommended that bank payments are recognised on the date they are processed rather than be posted into the period they relate to. We also recommend that all bank transfers are posted between bank account nominal codes. We understand measures have now been taken to prevent this from occurring in the future.

This year the bank transfers between the current account and school fund account appear to have been posted correctly. However it appears that post year end bank payments are still being recognised in the incorrect period. As a result the trade creditor balance and bank account were understated by £259k.

We therefore continue to recommend that bank payments are recognised on the date they are processed rather than be posted into the period they relate to.

Noted that this has improved and we are confident that this will be fully addressed in the current year.



Members and trustees

In the prior year all Trustees are also members as per the articles of the Academy. Per the Academies Financial Handbook it is strongly recommended that there is a distinction between the Members and Trustees. We recommended that a separation of trustees and members occurs in line with the suggested practice in the Academies Financial Handbook.

No change.

Noted and discussed, but this is not a high priority on a practical basis for the current year.





The VAT 126 form does not reconcile with the VAT Debtor within the trial balance.

Noted as cleared.

We noted that the VAT control account had an unreconciled difference of £681 when compared to the outstanding VAT 126 forms. We recommended that the VAT control account is reconciled as part of the month end processes and any differences are investigated.

This difference still remains and has been agreed with management to write the balance off after an internal investigation. Not expected to be an issue going forwards.




Maintenance of the Fixed Asset Register

In 2020 we noted that the fixed asset register did not reconcile to the accounts. This was because of historic differences being altered and was skewed by invoices being accrued for in 2019. As required by the Academies Financial Handbook 2020, the Academy must maintain the fixed asset register. This includes posting the depreciation charge journal for the year.

This year a full fixed asset register was maintained which reconciled to the accounts. Point cleared.

Noted as cleared.

We recommended that the fixed asset register is maintained and is reconciled to the accounts as part of the month end process. All additions, disposals and depreciation should be recognised accordingly.

-  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