

Our Ref: EXEX8670/TB/LV/BH
Your Ref:
Date: 23 November 2021



PRIVATE & CONFIDENTIAL

The Board of Trustees
Exeter Mathematics School
Rougemont House
Castle Street
Exeter
EX4 3PU

Dear Sirs

2021 Audit and Regularity Assurance Engagement of Exeter Mathematics 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 substantially 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 accounting officer and SBM on 1 November 2021:

- Accounts presentation
- Trustees' report – including reserves policy
- Funds carried forward and boarding note disclosure
- Allocation of capital spend
- Recognition of XTX income
- Funding for new boarding premises
- Trustees formal assessment regarding going concern
- Management letter appendix

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.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest. We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised. We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

Details of all the threats and related safeguards relating to non-audit services provided were included in our planning report.

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




Bishop Fleming LLP

BISHOP FLEMING LLP



APPENDIX I

Control Observations and Recommendations

Description & Impact	Recommendation	Management Response	Category
Current year observations			
Trustees declared on school website			
We note that Kenneth Evans is not declared as a trustee on the school's website.	It is a requirement to maintain an accurate list of all trustees on the school website. We recommend that this be reviewed and updated following all appointments and resignations.	Clerk to Governors to remedy within one week	
Trade debtors			
We note that trade debtors do not reconcile to the Aged Debtors report generated from Sage. After discussion with SBM, it appears as this is caused by an historical issue affecting b/f balances.	This issue results in an immaterial error to the accounts this year. However, it reduces the school's ability to pursue debtors and may lead to bad debts. In addition, as this is a control account, it is important that it is fully reconciled as part of your month end procedures. We recommend this historical issue be resolved and a full reconciliation be performed in order to agree debtors in Sage to the accounts.	Debtors Control account will be reconciled, and historical discrepancies corrected before the end of the financial year.	
Accruals			
Within the accruals schedule, we note that there is a balance accrued this year relating to TSST cover that has not been invoiced to EMS. Within this accrual, are amounts attributed to the last 3 years totalling £7,800, as below: 2017/18 £3,450 2018/19 £3,100 2019/20 £1,250	We understand that you consider these to still be a genuine liability and that you plan on following up the position with the supplier.	Historical creditors will be contacted to advise they are still eligible to invoice for payment within the first 6 months of the 2021/22 academic year.	



VAT Submission

We note that there is a residual small difference on the VAT control account.

The VAT control account should be fully reconciled every quarter.

Agreed and residual difference on the VAT control account to be actioned by SBM



Filing History

There was a 3 month delay in notifying Companies House of the appointment of K Evans

It is a requirement that information on Companies House be accurately maintained. It is recommended that this information be checked and updated regularly to ensure compliance.

Clerk to Governors to remedy within one week



Land & Buildings Depreciation

Land and buildings has been depreciated, as per the accounting policy in the accounts, over 50 years.

The value of land should be split out from total Land & Buildings cost and depreciated over the life of the lease.

Agreed this will be in place for the 2021/22 accounts onwards

However, land should normally be depreciated over the life of the lease, which is 125 years. Using the most recent valuation, the revised calculation results in an immaterial but not trivial potential adjustment to the depreciation charge in the statement of financial activities.

It is recommended that this be amended on the Fixed Asset Register and future charges based on the revised split.

The cumulative potential over-depreciation over the 7 years since academisation is £12,180.



Deferred Income

In the deferred income schedule provided, an amount is deferred from the DFC grant. This amount should be recognised in full in the year as the school is entitled to spend the money in full upon receipt.

DFC grant income should be recognised entirely in the year in which it is received.

This will not be deferred in future





Update on previous year observations

Unapproved related party transactions

As per the Academy Financial Handbook, related party transactions exceeding £20,000 require prior approval from the ESFA. However, the transactions with Exeter College exceeded this amount and approval was not granted.

We recommend always seeking prior approval from the ESFA and where approval has not been granted, looking for other options for suppliers to ensure compliance with the handbook.

2020/21 Update:

We understand approval was sought in the year but was not approved.



We understand Exeter Mathematics School is limited to its choice of suppliers, due to logistical restrictions. We have confirmed that approval has been granted for transactions in 2021/22.

Management Response

Collaborative work has been undertaken throughout 2020/21 and as a result the approval has been secured for 2021/22.

Staff ID and Contracts on File

While reviewing a selection of personnel files it was noted that one of the files did not contain ID evidence. Obtaining and checking an individual's ID forms are part of "right to work" checks. Additionally, four of the selection did not have employment contracts due to their job role (invigilators).

We recommend that personnel files should contain copies of the documents used as evidence for the right to work in the UK. This requirement is detailed by the Home Office – Right to Work Checks Employers Guide.

We also recommend that contracts are provided to all members of staff regardless of job role to ensure employment terms are documented physically.



2020/21 Update:

We have identified 2 employees, for whom a sign contract was not available. Contracts have been signed by EMS, but not by the employee in 2 of the 5 instances tested. ID was held on file for all employees tested.

Management Response

Feedback findings to Exeter College HR team and ensure this is a performance measure in the Service Level Agreement in the next annual review.



Fixed asset register

The fixed asset register does not reconcile to the SAGE system. This is largely due to additions previously overlapping the financial year 2018/19 and 2019/20.

We recommend that the fixed asset register is updated regularly and reconciled back to SAGE postings to ensure no errors or discrepancies occur.

2020/21 Update:

The Fixed Asset Register still does not reconcile to Sage. Differences to net book value are not material, but there is concern that depreciation is not being calculated completely accurately and that this error may increase over time. In this year, approximately £10k of additions were not included in additions, which appears to be the original cause of the problem in prior years.

We recommend a complete reconciliation of the register be performed to ensure all items are held correctly and that individual items be recorded on the face of the register, rather than as annual additions, such as “additions 2017/18.”

Subsequently, regular periodic reviews of the fixed asset register should be undertaken to identify assets scrapped or no longer in use.

Management Response

EMS to review the Fixed Asset Register and processes with expertise from a suitably qualified company





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.