

Our Ref: BAWHI009/SM/MB/FH  
Date: 18 December 2015

**PRIVATE & CONFIDENTIAL**

The Board of Trustees  
The White Horse Federation  
Plymouth Street  
Swindon  
SN1 2LB

Dear Sirs

**2015 Audit and Regularity Assurance Engagement of The White Horse Federation**

**Introduction**

In order to carry out our duties and responsibilities as auditors, we are required by International Standard on Auditing (UK and Ireland) 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 Academies Accounts Direction 2014 to 2015 (AAD).

Our work was also planned to provide a "limited assurance" report on regularity in accordance with the AAD.

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; 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.

### **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 AAD. 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 may 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 EFA 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 sincerely

**BISHOP FLEMING BATH LIMITED**


## APPENDIX I

### Control Observations and Recommendations

Description & Impact	Recommendation	Management Response	Category
<b>Accounting matters</b>			
<p><i>During our testing it was noted that some of the intercompany and control accounts did not agree between the different school accounting systems. This could lead to incorrect management reporting and potential for errors accounting for restricted funds</i></p>	<p><i>We recommend that as a part of your month end procedure that any intercompany debtors, creditors or transactions are reconciled between the different school systems.</i></p>	<p><i>Agreed and process will be established to address intercompany transactions.</i></p>	
<p><i>During our testing of accruals £95k of post year end invoice relating to the repairs of the roof at the drove campus has not been accrued for. Omission of accruals could potentially lead to a material misstatement within the accounts</i></p>	<p><i>We recommend that further care is taken with reviewing any large post year end invoices are accrued if the service was provided before year end. Large capital projects should be reviewed individually for accruals at the end of each year.</i></p>	<p><i>Capital reporting will be strengthened through coming year with business partner arrangement. This will include accrual reviews at key month ends</i></p>	
<p><i>During our testing at the Peak Academy it was found that the systems inherited from the old Multi-Academy Trust were very poor. Throughout the year these processes have been improved but the following issues should be addressed:</i></p>	<p><i>We recommend that all personal data sent to payroll providers is one so encrypted and password protected.</i></p>	<p><i>Payroll aspects will be picked up with HR and included in the larger review through 2016 of the payroll provider.</i></p>	
<p><i>When personal data is sent to the payroll provider this data is not currently password protected or encrypted in any way.</i></p>	<p><i>We recommend that you continue the process started in the year of implementing the standard policies as outlines in the Federations procedures manual.</i></p>	<p><i>As we progress through 2016 standard policies are being reviewed and will be rolled out to new schools</i></p>	
<p><i>Purchase, quote and tender limits have not been in place during the year. With the Headteacher and Business Manager continuing with the previous Multi-academy Trust's policies</i></p>			
<p><i>During the year, there has been change of treatment of some of the spend against EFA capital grants. This year the spend has been capitalised into fixed asset as improvements whereas previously the treatment was to treat as repairs and maintenance expense.</i></p>	<p><i>We recommend that the federations treatment of different types of capital grants are confirmed and ensure they are abided by for all schools within the federation.</i></p>	<p><i>Putting such cost to repairs and maintenance makes no sense. Clear fixed asset procedure will be developed and costs as incurred capitalised rather than distort the income and expenditure account.</i></p>	

Description & Impact	Recommendation	Management Response	Category
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**Regularity issues**




<p><i>During our testing it was found that N Capstick's credit card purchases are not authorised by anyone else within the federation. We have review a sample of the transaction within the year and identified no issues with the items purchased. However, there is the ability for personal purchase to be made, without the Federations review.</i></p>	<p><i>We recommend that N Capstick's credit card purchases are reviewed by another senior member of staff periodically, and evidence of authorisation is included.</i></p>	<p><i>Will be reviewed and countersigned by Executive Managing Director</i></p>	
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**Update on Prior Year Issues**

Description, Impact & recommendation	Management response last year	Update	Category
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**Governance matters**

<p><i>Many of the trustees have close family members that work for the academy trust, but there is no central list of the names or any other connected or related parties that arise from this arrangement.</i></p> <p><i>We recommend that a central register of close family members working for the Federation is kept, along with a central register of connected and related parties.</i></p>	<p><i>Noted. A register of close family members and connected parties working for the organisation has been prepared. The Audit and Risk committee will review this register at its next meeting and will arrange for a sample of the arrangements entered into to be reviewed from an internal audit perspective to ensure that all arrangements have been entered into appropriately and with due regard to the requirements of the Financial Handbook and other relevant guidance.</i></p>	<p><i>There are still many trustees that have close family members working for the trust. The trust need to ensure that the monitoring of arrangements in completed periodically.</i></p>	
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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