



FINAL Audit Management Letter

**West Hill School**  
Year Ending 31 August 2022

7<sup>th</sup> December 2022

BEEVER  
AND  
STRUTHERS

CHARTERED ACCOUNTANTS  
AND BUSINESS ADVISORS



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## Introduction

Our audit of the financial statements of West Hill School (the Academy) is complete. The purpose of this letter is to bring to your attention the findings from our audit. We appreciate that you will already be aware of the majority of the matters contained in this letter.

In order to comply with the provisions of the International Standard on Auditing (ISA) 260 – ‘Communication of Audit Matters with those Charged with Governance’ by which we report to management on the findings of our audit, with particular reference to:-

- views about the qualitative aspects of the Academy’s accounting practices and financial reporting;
- the letters of representation;
- unadjusted misstatements;
- matters specifically required by other Auditing Standards to be communicated to those charged with governance (such as fraud and error);
- expected modifications to the auditor’s report;
- material weaknesses in the accounting and internal control systems; and
- any other relevant and material matters relating to the audit.

We also take this opportunity to comment on the Academy’s performance for the year and to confirm our professional integrity, objectivity and independence.

We see effective communication as being a key part of our audit, and it is important that there is effective two way communication. We welcome any feedback or questions regarding the conduct of the audit process.

This report is not intended to cover every matter which came to our attention during the audit. We do not accept any responsibility for any reliance placed on it by third parties. Our procedures are designed to support our audit opinion and cannot be relied upon to identify any weakness in systems or controls which may exist.

We would like to take this opportunity to formally record our appreciation for the assistance and co-operation provided to us by the Finance Team who assisted us during the course of our audit.



**Beever and Struthers**

## Key audit issues

The following table summarises the key audit issues we identified as requiring specific consideration and the audit procedures we undertook in relation to them.

Audit issues	Audit procedure
<p><b>Fund Accounting</b></p> <p>Academy Trusts as Charities are required to classify balances in the financial statements to a fund – i.e. restricted, unrestricted and restricted fixed asset funds. The audit risk in respect of fund accounting is that items are incorrectly allocated to restricted and unrestricted funds.</p>	<p>The systems and controls in place for allocating income and expenditure to funds were assessed.</p> <p>The substantive sample testing of income and expenditure included a consideration of whether the sample of items tested has been allocated to the correct fund.</p> <p><b>Our work in this area was concluded satisfactorily.</b></p>
<p><b>Integrity of non-financial information</b></p> <p>A number of disclosures included in the financial statements are not derived directly from the Academy's financial reporting system e.g. operating lease commitments, related party transactions and completeness of contingent liabilities and provisions.</p>	<p>Our audit work in this area included:</p> <ul style="list-style-type: none"> <li>• a review of Board and Committee meeting minutes</li> <li>• a review of declaration of interest forms.</li> <li>• discussed any related parties, capital commitments or operating leases with the Business Manager</li> <li>• applied a general consideration throughout the audit process of items that may require disclosure in the financial statements.</li> </ul> <p>All related party transactions, regardless of size, must be disclosed in the financial statements. Declaration of interest forms for all Key Management Personnel, and associated controls, were reviewed, and Director/Trustee searches at Companies House were undertaken. These were used to inform our assessment of the accuracy and completeness of the related party disclosures in the financial statements.</p> <p>There were no related party transactions to disclose.</p> <p>Based on discussions with the Business Manager and a review of the board and committee minutes there were capital commitments relating to the CIF work, this has been disclosed in the financial statements..</p> <p><b>Our work in this area was concluded satisfactorily.</b></p>
<p><b>Local Government Pension Scheme</b></p> <p>The Academy is in a local government pension scheme which requires disclosure in the financial statements.</p> <p>The risk with the pensions is that the disclosures made are not in line with the actuary report or that the report contains errors.</p>	<p>The actuary details were confirmed and their qualifications, experience and reputation reviewed.</p> <p>The actuary documentation for the year was reviewed to verify the values in the accounts disclosures and we assessed the reasonableness of the actuarial assumptions, source data and methods used in the reports through discussions with the Business Manager.</p> <p><b>Our work in this area was concluded satisfactorily.</b></p>

## Key audit issues

Audit issues	Audit procedure
<p><b>Wages and Salaries</b></p> <p>Payroll is the largest single expense at the Academy and therefore is a significant area in the audit.</p> <p>The audit risks concerning payroll are that leavers in the year have not been correctly removed from the payroll or that fraudulent starters have been added to the payroll and paid a salary. The valuation of the payroll expense as declared in the accounts is also a risk given increasing pressures on budgets in the sector.</p>	<p>At the interim visit the procedures in place for making amendments to the payroll each month and controls over this process were documented. Changes to the payroll were reviewed to confirm the procedures are in place.</p> <p>Also at the interim the procedures in place for the addition and removal of starters and leavers to the payroll was documented and tests conducted to ensure the procedures are working effectively.</p> <p>Reconciliations between the accounting system and payroll reports were reviewed and variances explained.</p> <p><b>Our audit work in this area was concluded satisfactorily.</b></p>
<p><b>Assessment of fraud risk</b></p> <p>ISA 240 "The Auditor's responsibility to consider fraud" requires us to consider the risk of fraud and the impact that this has on our audit approach. There is a presumed significant risk of fraud in two areas; revenue recognition and management override.</p>	<p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement whether caused by fraud or error. In particular, we reviewed revenue recognition and management control override.</p>
<p><b>Revenue Recognition</b></p> <p>Material misstatements due to fraudulent reporting often result from an overstatement of revenues, for example through premature revenue recognition or recording fictitious revenues. The auditor therefore presumes that there are risks of fraud in revenue recognition and considers which types of revenue may give rise to fraud risks.</p> <p>For the Academy the main income stream is Department for Education (DfE) grants. The processing of the amount of income is completed by the DfE and the input of such income by the Academy can easily be agreed back to DfE documentation. We therefore have assessed the risk of fraud in the recognition of grant income as low.</p> <p>The cut off procedures for grant income were reviewed as part of our audit fieldwork.</p>	<p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement whether caused by fraud or error. In particular, we reviewed revenue recognition and management control override, as noted below.</p> <p>As part of the audit planning:</p> <ul style="list-style-type: none"> <li>• We discussed fraud related risks and the risk of material misstatement in the financial statements.</li> <li>• We reviewed the Academy's anti-fraud policies;</li> <li>• We reviewed the work of internal audit; and</li> <li>• We reviewed the fraud register.</li> </ul> <p>At the audit visit:</p> <ul style="list-style-type: none"> <li>• We assessed and tested the controls over income from government grants and other material sources of income, for example letting of sports hall facilities.</li> <li>• Assessed and tested the controls over cash and debtors and the segregation of duties in place;</li> <li>• Tested the cut off on the GAG funding and other material sources of income e.g. local authority grants;</li> <li>• Performed analytical review on the material income streams and testing of the cut off on the grant income; and</li> <li>• Assessed and tested the controls over posting of manual journals.</li> </ul> <p><b>Our audit did not highlight any significant errors in revenue recognition. Our work on systems and controls at the interim visit did not identify any instances of management override of controls. The policy statements in place were found to be up to date.</b></p>
<p><b>Management Override</b></p> <p>Under ISA 240 there is a presumed risk of management override of the system of internal controls.</p> <p>Material misstatements can arise from management overriding the controls which are in place or by manipulating the results to achieve targets and the expectations of the stakeholders.</p>	

## Key audit issues

Audit issues	Audit procedure
<p><b>Regularity</b></p> <p>The financial statements include an Independent Reporting Accountants' Report on Regularity. The report provides a limited assurance conclusion about whether the expenditure disbursed, and income received by the Academy in the financial period have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</p>	<p>We documented the key financial systems and control procedures in place. We reviewed their effectiveness and undertake tests of control. We undertook testing as set out in the Academies Accounts Direction, which covers the following broad areas:</p> <ul style="list-style-type: none"><li>- Review of the Accounting Officer's Statement on Regularity, Propriety and Compliance.</li><li>- Delegated authorities have been complied with.</li><li>- Transactions with connect parties are compliant with the terms of the Academies Trust Handbook.</li><li>- Governance considerations (This section has been extended in the 2021/22 AAD).</li><li>- Internal controls effectiveness and appropriateness.</li><li>- Procurement procedures have been applied in line with the School's documented procedures.</li><li>- Grant income has been applied in line with any restrictions outlined in the terms and conditions applicable to the funding.</li></ul> <p><b>Our work in this area was concluded satisfactorily.</b></p>

## Overview of Financial Statements

### Statement of Financial Activities

	2022 £'000	2021 £'000	
Income and endowments from donations and capital grants	395	693	Decrease due to more capital grants awarded in prior year– CIF funding.
Income and endowments from charitable activities (Funding for the Academy trust's educational operations, other trading activities and investments)	5,541	5,120	<p>General Annual Grant has increased by £148k.</p> <p>General increase in other trading activities as they return to "normal" levels following COVID, including, hire of facilities and trip income.</p>
<b>Total income and endowments</b>	<b>5,936</b>	<b>5,813</b>	
Expenditure on raising funds	(176)	(92)	Expenditure on school trips has increased in comparison to the prior year.
Expenditure from charitable activities (Academy trust's educational operations)	(5,871)	(5,721)	Increases in expenditure for staff costs and utility bills.
<b>Total expenditure</b>	<b>(6,047)</b>	<b>(5,813)</b>	
<b>Other recognised gains and losses</b>			
Actuarial gains/(losses) on defined benefit pension schemes	2,153	(92)	Asset not recognised in current year. Agreed to actuarial report, assumptions used appear reasonable when benchmarked to similar schemes.
<b>Net movement in funds</b>	<b>2,042</b>	<b>(92)</b>	
<b>Reconciliation of funds</b>			
Funds brought forward at 1 September 2021	11,987	12,080	
Funds carried forward at 31 August 2022	14,029	11,988	

# Overview of Financial Statements

## Statement of Financial Position

	2022 £'000	2021 £'000		
Fixed assets				
Tangible assets	12,763	12,392	➤	The depreciation charge for the year totalled £325k. There were additions of £696k which predominantly related to CIF works.
Current assets				
Debtors	607	728	➤	Reduced mainly due to reduction in accrued income for CIF bids – depends on size of bids each year.
Cash at bank and in hand	946	814		Increase partly due to CIF monies received but works not yet completed.
Liabilities				
Creditors: Amounts falling due within one year	(184)	(135)	➤	Increase due to Salix and CIF loans being taken out in current year as part of CIF bids and timing of accruals and deferred income.
Net current assets	1,369	1,407		
Creditors: Amounts falling due after more than one year	(103)	-	➤	Due to Salix and CIF loans being taken out in current year as part of CIF bids.
Net assets excluding pension scheme liability	14,029	13,799		
Pension scheme liability	-	(1,811)	➤	Asset in current year and therefore adjust to nil liability or asset position in line with FRS 102 requirements, assumptions used appear reasonable when benchmarked to similar schemes.
<b>Net assets including pension liability</b>	<b>14,029</b>	<b>11,988</b>		
<b>Funds of the academy trust:</b>				
<b>Restricted income funds</b>				
Fixed asset fund	13,100	13,029		
General fund	339	301		
Pension reserve	-	(1,811)		
<b>Total restricted funds</b>	<b>13,439</b>	<b>11,519</b>		
<b>Unrestricted income funds</b>				
General fund	590	469		
<b>Total funds</b>	<b>14,029</b>	<b>11,988</b>		



### Ethics and Independence

We have reviewed our independence and confirm that, in our professional judgement, this firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner, Elizabeth Hatchman, and the audit staff is not impaired.

The review included consideration of whether:

- the firm is dependent on the Academy as a client due to the significance of the audit fee to the firm;
- the firm is owed significant overdue fees;
- there is any actual or threatened litigation between the firm and the Academy;
- any benefits have been received by the audit team which are not modest;
- the firm has any mutual business interest with the Academy;
- any members of the audit team have any personal or family connections with the Academy or officers; or
- independence is impaired through the provision of services other than the statutory audit.

### Non Audit Services

In addition to our work as the Academy's external auditors, we also provide other services to the Academy, including

- Statutory Accounts preparation
- Regulatory assurance
- Preparation of Accounts Return
- Teacher's Pension Scheme audit

The statutory accounts, audit and Academies Accounts Return will be independently reviewed by a partner or manager not directly involved in the audit of the Academy. The regularity assurance is linked to the audit assignment. In addition the Academies Accounts Direction requires the external auditor to undertake this assignment. The fee charged for the Teacher's Pension audit is less than 10% of the statutory audit fee.

We consider that appropriate safeguards are in place and, in our opinion, the provision of these additional services does not prejudice our independence and objectivity as the Academy's external auditors.

## Ethics and Independence

### Additional Services

The fees, excluding VAT, for additional services to be provided in 2021/22, are set out below:

Additional Service	Fees 2021/22
Accounts Preparation	Included in audit fee
Preparation of accounts return	£550
Teacher's Pension Scheme audit	£775
Regulatory assurance	Included in audit fee

### Independence Declaration

We confirm that:

- We are not aware of any personal relationships between Beever and Struthers and the Academy.
- Appropriate safeguards have been established for the provision of any non-audit services.
- We comply with Ethical Standards and in our opinion the firm is independent within the meaning of regulatory and professional requirements and the objectivity of the engagement partner and the audit staff is not impaired.

## Qualitative aspects of Accounting Practices & Financial Reporting

### **Accounting Policies**

FRS 102 requires that entities should review their accounting policies regularly to ensure that they are appropriate to its particular circumstances for the purposes of giving a true and fair view. The Board of Governors plays a key role in this process.

We have reviewed the Academy's accounting policies as stated in the financial statements in detail and confirm that we judge them to be appropriate to provide relevant, reliable, comparable and understandable information.

### **Accounting Estimates**

Key accounting estimates in the financial statements concern depreciation, allocation of expenditure and the valuation of the LGPS. We confirm that estimates have been made appropriately in line with our knowledge of the Academy and the sector, and are disclosed satisfactorily in the financial statements.

### **Timing of Transactions**

Our audit work confirmed that material transactions were recorded in the correct accounting periods. Accruals and prepayments were made for material items.

### **Going Concern**

The financial statements have been prepared on a going concern basis. We have evaluated your assessment of the Academy's ability to continue as a going concern and the disclosure made in the Report of the Board of Governors and we confirm that this assumption is appropriate.

### **Report of the Board of Governors**

We reviewed other information in the document containing the financial statements. We confirmed that there is no material inconsistency between it and the financial statements.

### **Financial Statement Disclosures**

We confirm that we judge the disclosures throughout the financial statements to be neutral, consistent and provide sufficient clarity to the user.

### **Significant Matters Arising from the Audit**

There were no significant matters arising from the audit that were discussed, or subject to correspondence with management.

### **Significant Difficulties Encountered During the Audit**

There were no significant difficulties encountered during the audit.

**Independent Auditor’s Report on the Statutory Financial Statements**

In accordance with ISA 580, we obtain written representation from management that they acknowledge their responsibility for preparing the accounts and have made all information available to us.

We will present our management representation letter for signing at the same time as the financial statements.

**Independent Reporting Accountant’s Report on Regularity**

In addition to the letter of representation covering the statutory accounts and audit, a further letter of representation is required in support of our Independent Reporting Accountant’s Report on Regularity.

We will present our management representation letter for signing at the same time as the financial statements.

  


## Audit Opinion

### **Independent Auditor's Report on the Statutory Financial Statements**

We expect to issue an unmodified audit opinion on the financial statements for the Academy Trust for the year ended 31 August 2022.

### **Limited Assurance Opinion on Regularity**

We expect to issue an unmodified assurance opinion for the Academy Trust for the year ended 31 August 2022.

## Audit Adjustments

Our audit work is based upon an assessment of materiality to ensure there is no material misstatement contained in the financial statements. In assessing materiality we take into account both the materiality of the class to which the balance belongs and the overall impact of the balance on the income and expenditure account and balance sheet.

ISA 260 requires us to report to management on all uncorrected misstatements identified during the audit, and to include in this report how we have calculated materiality, and any misstatements identified during the audit which have been corrected.

We are not required to report on corrected or uncorrected misstatements we believe are clearly trivial.

### Materiality

Our assessment of materiality was based on the first draft accounts received prior to the audit and calculated using a proportion of income, result for the period, net assets and liabilities and gross assets.

### Adjusted and Unadjusted potential differences

Our audit procedures have been designed to provide reasonable assurance that the financial statements are free of material misstatements. For the purpose of this audit, materiality has been calculated at £117,420. This has been calculated by reference to expenditure.

### Summary of unadjusted misstatements

The uncorrected misstatements are not material and no adjustments are proposed. The following uncorrected misstatements were identified, which would impact the SOFA as follows:

- Overstatement of deferred income based on sample selected £40,588. Adjusting for this would increase the result by £40,588. (£30,015 relating to Recovery Premium, £7,043 relating to Harrison Catering and £3,530 relating to disposal of assets)

The above unadjusted misstatement has not been adjusted on ground of materiality.

### Summary of adjusted misstatements

Reference	Description	£'000
<b>Surplus per trial balance presented for audit</b>		<b>696</b>
Adjustments resulting from the accounts preparation work:		
1.	Depreciation charge for the year	(324)
2	LGPS movement	(342)
3	Prepayment movement	5
4	Remove CIF funding received relating to roof bid, recognised in prior year	(645)
5	Accrue income for CIF bid relating to fire bid for current year	376
Adjustments resulting from the audit work:		
6	Release trip income deferred in YE 2021	65
7	Release deferral of supplementary grant funding	64
8	Additional prepayment movement	(11)
9	Release deferral of DFC funding	(18)
10	Recognition of school fund bank balance	22
11	Trip account movement	1
<b>Surplus/(deficit) per audited accounts before actuarial gain</b>		<b><u>(111)</u></b>

## Accounting and Internal Control

We have tested the systems of internal financial control to the extent that we intended to place reliance on them in forming our audit opinion on the accuracy of the figures in the financial statements. Our audit work enabled us to place substantial reliance on the operation of key controls, as planned.

ISA 260 requires that we report to those charged with governance any material weaknesses in internal control that we identify in the course of our audit work. A material weakness is one that could adversely affect the Academy's ability to record, process, summarise, and report financial or other data so as to result in a material misstatement in the financial statements.

### **Internal Audit**

As the external auditors of the Academy we have the sole responsibility for the audit opinion expressed on the Academy's financial statements. We are also responsible for determining the nature, extent and timing of the external audit procedures. All judgements relating to the audit of the financial statements are ours.

As external auditors we consider the activities of the internal audit function and their effect, if any, upon our own procedures. Where appropriate we seek to use the work of internal audit as a form of evidence available to us to avoid the duplication of audit effort. Our overall responsibility is not reduced by any use of internal audit work but it is a form of evidence available to us. As external auditors we obtain an understanding of internal audit activities to assist us in planning the audit. This facilitates the development of an effective audit approach.

### **The following systems were reviewed:**

- Governance

## Accounting and Internal Control

Overall, we found that the Academy's systems and internal financial controls in the above areas were operating effectively.

We have made one housekeeping recommendation in the current year.

### **Our recommendations have been graded as follows:-**

- **Fundamental** recommendations represent fundamental control weaknesses, which expose the Academy to a high degree of unnecessary risk.
- **Significant** recommendations represent significant control weaknesses, which expose the Academy to a moderate degree of unnecessary risk.
- **Housekeeping** recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.



## Accounting and Internal Control

There were no recommendations in the prior year.

Current year recommendations:

System and Controls Evaluated	Results of Control Evaluation and Testing	Recommendation	Management response
Fixed asset register - disposals	Upon review of the fixed asset register, it was noted that some assets that had been disposed of in the year were still included on the fixed asset register at year end.	We recommend the fixed asset register is updated as soon as possible to ensure the register maintained is complete and correct. <b>(Housekeeping)</b>	The assets in question were removed at the end of August following the installation of new teaching boards. A full record of what had been removed was maintained and this was used to update the register. The delay in updating the asset register was a timing issue and the register has since been updated.
Fixed asset register	Upon review of the fixed asset register, it was noted that the report does not detail the cost or depreciation of each asset. Going forward, it will be difficult to allocate specific cost and depreciation to assets eg, when they are disposed if this is not maintained.	We recommend the fixed asset register is updated to include the cost and depreciation of each asset. (Housekeeping)	It is noted that the asset register does not , currently, take into account cost of items to inform the depreciation of the asset. This is to be investigated further to ensure that a suitable system is on place during this financial year.

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