MOORE STEPHENS

External Audit Completion Report
Light Hall School
Year ended 31 August 2017

Contents

1 Introduction

The purpose of this document

We are pleased to present a summary of our audit findings of Light Hall School ("the Trust") for the year ended 31 August 2017.

Our audit work is now substantially complete and we take this opportunity to draw your attention to those matters we have noted during the course of the audit.

As auditors, we are also required under the International Standard on Auditing 260 (ISA 260) to communicate certain matters arising from the audit of the financial statements to those charged with governance.

Audit approach

We performed our audit work using the audit approach we communicated to you in our audit planning letter.

Our audit work is designed to consider whether the financial statements give a true and fair view of the state of affairs of the Trust and of its results for the year under review taking into account the requirements of:

- UK Accounting Standards (UK Generally Accepted Accounting Practice);
- Companies Act 2006 (Company Limited by Guarantee)
- Charities Act 2011 (exempt Charity) and Charities SORP 2015 (FRS 102)
- Academies Accounts Direction 2017 issued by the Education Skills Funding Agency ("ESFA")
- Academies Financial handbook 2016 issued by the ESFA

Acknowledgments

We would like to thank the Trust's finance team, especially Mark Firmstone, for their help and co-operation during our audit fieldwork.

Audit status

Our audit work is substantially complete subject to receipt of the final signed financial statements.

Disclosure

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the Trust;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

2 Key reporting matters

Financial statements audit conclusion

In our opinion the financial statements give a true and fair view and comply with UK Generally Accepted Accounting Practice, the Statement of Recommended Practice – Accounting and Reporting for Charities – SORP 2015 (FRS102) and the requirements of the Accounts Direction.

We are pleased to report that our audit report, which will be included in the financial statements will be unmodified.

In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the Trust's ability to continue as a going concern. We are therefore satisfied with the disclosure in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the letter of representation, within the letter, you have confirmed that there are no subsequent events that require amendment to the financial statements.

Regularity conclusion

In addition to our report expressing an opinion on the financial statements, we also produce a report providing a conclusion on "regularity". Our limited assurance regularity report must state whether anything has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period of account has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

During our regularity work we have ensured that:

- Procedures are in place in connection with general procurement, tendering, use of credit cards and expenses;
- Procedures are in place in order to ensure appropriate remuneration of payroll staff, agency staff and consultants;
- Procedures are in place to ensure that conflicts of interest and related party transactions are identified and the disclosures in the financial statements are appropriate.

The Trust has not informed us of any control weakness or irregularity in these areas.

Based upon our work carried out to date we anticipate issuing an unmodified regularity opinion.

Significant audit risks

At the planning stage we issued our audit planning letter which highlighted three significant audit risks we had identified and the work we planned to perform to address them. We carried out these procedures during our audit and have summarised our findings and conclusions in section 3.

Identified misstatements

Any misstatements that we have identified, either adjusted or unadjusted, are detailed in Appendix 1 to this report.

The schedule does not include matters we believe to be clearly trivial.

Significant difficulties

We are required to communicate to you if we encounter significant difficulties while performing our work.

We have not experienced any significant difficulties during our audit and we have not identified any significant matters which we consider should be reported to you.

Internal controls

During the course of our audit we reviewed the principal internal controls that Management has established to enable them to ensure, as far as possible, the accuracy and reliability of the Trust accounting records and to safeguard the assets.

The purpose of our audit is to express an opinion on the financial statements and not to express an opinion of the effectiveness of the internal control environment. Any weaknesses we have identified and reported should not therefore be regarded as a complete list of all deficiencies which may exist.

During our audit no significant weaknesses in internal controls have been identified.

Required communications

Auditing standards require us to communicate further matters to you by exception and to evaluate the adequacy of the communication process between us.

We confirm that there are no further matters to be communicated and that we are satisfied with the adequacy and effectiveness of the communication between us.

Response to queries and information requests throughout fieldwork

All staff worked hard to assist us during the audit and were quick in responding to our queries.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and materiality of the information provided by the financial statements. The following observations have been made:

The appropriateness of the accounting policies used	We have reviewed the significant accounting policies which are disclosed in the financial statements and consider these to be appropriate, and consistent with both last year and the Accounts Direction 2016/2017.
The timing of the transactions and the period in which they are recorded	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised. Specifically we confirm that we have assessed the timing of recognition of grants, and agree with the treatment adopted.
The appropriateness of the accounting estimates and judgements used	The main estimates requiring judgement are linked to fixed assets and pension scheme valuations. No issues have been identified. No other significant accounting estimates or judgements were required in the preparation of the financial statements.
The potential effect on the financial statements, of any uncertainties, including significant risks and disclosures such as pending litigation that are required to be disclosed in the financial statements	There are no uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements	From the audit testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the Trustees' report or material inconsistencies with the financial statements	There has been no misstatement or material inconsistency with the financial statements included in the Trustees' report.
Any significant financial statement disclosures to bring to your attention	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure	There was no disagreement during the course of the audit over any accounting treatment or disclosure.

3 Significant audit risks

Significant audit risk	Our response to the audit risk	Conclusion
Revenue Recognition This is considered to be a fraud risk area under International Standards of Auditing (UK and Ireland). We consider that the specific revenue risk relates to rights and obligations of your ESFA funding and cut off.	We reviewed ESFA grants received in the period and considered whether grants are recorded in line with the terms and conditions set. This included the assessment of claw back of grants received and the treatment of any accrued or deferred elements. We reviewed all sources of income and controls pertaining to these sources of income to determine whether there was a risk of a material misstatement.	Our audit work in this area has been successfully completed. We have obtained the audit evidence we require to conclude that revenue recognition is not materially misstated and there are no significant matters which need to be reported to you
Defined Benefit Pension Scheme Accounting for defined benefit pension schemes is complicated and requires assumptions to be made of future changes in scheme membership, life expectancy and other factors. For this reason the accounting entries required under Financial Reporting Standard 102 are calculated by the scheme actuary.	We reviewed the assumptions made in arriving at the actuarial valuation and assessed them against our technical accounting team's accepted range of pension scheme assumptions. These have been identified from assessing a large number of defined benefit schemes and other statistical data. We also ensured the accounting entries have been correctly accounted for and presented in the Financial Statements.	The assumptions made were within our technical teams accepted range of pension scheme assumptions. The accounting entries have been correctly accounted for in accordance with FRS 102
Risk of management override The International Standards on auditing (ISAs) presume that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records by overriding internal controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, there is an inherent risk of financial misreporting due to fraud which represents a significant risk on all audits.	We updated our understanding of the Trust's internal control procedures including those which are in place to address the risk of fraud or error occurring. Our testing strategy included general ledger journal testing coupled with consideration and review of: • key accounting policies; • material accounting estimates; • use of management judgement; and • any unusual or individually significant business transactions	There is no indication that the financial statements are misstated as a result of management override.

We did not identify any additional significant risks during the course of performing our audit.

4 Risk of fraud and independence

Fraud

International Standard on Auditing (UK & Ireland) 240 "The Auditor's responsibilities relating to fraud in an audit of financial statements" sets out our responsibilities as auditors for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

Our key objectives in connection with this responsibility are:

- To identify and assess the risks of material misstatement of the financial statements due to fraud;
- To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- To respond appropriately to fraud or suspected fraud identified during the audit.

However, the primary responsibility for the prevention and detection of fraud rests with management and the Trust. It is important that management place a strong emphasis on fraud prevention by putting in place a structure which deters individuals from committing fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour. The Trust also has a responsibility to consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage results.

Where applicable, all known frauds and attempted frauds have been disclosed as part of the audit process.

Independence

We confirm there are no relationships between Moore Stephens and the Trust, the Trustees and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff.

We also confirm that we have complied with the requirements of auditing standards (ISAs UK & Ireland) and UK Ethical Standards in relation to independence and objectivity.

5 Recommendations

During the course of our audit of the financial statements for the year ended 31 August 2017, we examined the principal internal controls which the Trust has established to enable them to ensure, as far as possible, the accuracy and reliability of the accounting records and to safeguard the assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition
1	Major issues for the attention of senior management which may have the potential to result in a material weakness in internal control.
2	Important issues to be addressed by management in their areas of responsibility.
3	Problems of a more minor nature which provide scope for improvement.

1	Employment Contracts
Observation	Our audit testing identified that the academy did not hold a signed contract of employment for every employee.
Risk	Increased risk of disputes over terms of employment if there is not a contract in place that is signed by both the academy and the employee.
Grade	2
Recommendation	A signed contract of employment is to be held for every employee within the academy.
Management response	SMBC contracts, have signed letters attached to Statements of Particulars rather than signed contracts. 2 letters had become detached from the Statements of Particulars in the sample checked, these have now been found and attached. All Personnel Files for permanent and fixed term staff will be checked for signed contracts by January 2018.
Responsible Officer	Colette Pelosi
Timeline for completion	January 2018

2	General Data Protection Regulations (GDPR)
Observation	The GDPR will apply in the UK from 25 May 2018. The principals of GDPR are similar to those in the current Data Protection Act with added details and a new accountability requirement. The GDPR requires all Academy Trusts to have systems and procedures in place to comply with the principals of the Regulation.
Risk	That the academy trust does not have the required systems and procedures in place by the 25 May 2018. Non-compliance with the new regulations can incur fines of up to €20m or 4% of income.
Grade	2
Recommendation	That the new General Data Protection Regulations are reviewed and plans put in place to ensure full compliance in advance of the 25 May 2018.
Management response	Light Hall School is following advice and an action plan to ensure GDPR Compliance provided by SMBC Corporate Information Governance Manager. This has been developed into a project plan for the school to ensure that data held by the school is GDPR compliant by 1st May 2018.
Responsible Officer	Mark Firmstone
Timeline for completion	1st May 2018

Action plan – audit recommendations from prior year

1	Purchase Orders
Observation	Purchase orders are not always used where purchases are deemed to be standard purchases i.e. 'ordinary'.
Risk	That orders are placed that have now been appropriately authorised and that may be in the best interests of the school.
Grade	3
Recommendation	A policy should be adopted whereby purchases cannot be made without authorisation being given, which is dependent upon evidence that the correct ordering process has been followed.
Follow up	No issues have been noted during the current years audit.

2	Fixed Assets
Observation	A fixed asset register is in place, however some of the balances in the register did not reconcile back to the opening balances for the year or to the balances in the financial statements.
Risk	The fixed assets are misstated in the financial statements.
Grade	3
Recommendation	That the fixed asset register be reconciled to the figures in the trial balance and that this be reconciled on a regular basis going forward to ensure no fixed assets are missed.
Follow up	Trivial differences now noted which will be monitored.

Appendix 1 – Summary of adjusted and unadjusted mistatements

Under the requirements of ISA 260 *Communication of audit matters* we are required to communicate all adjusted and unadjusted audit differences, other than those which are clearly trivial, to the Trustees.

Based on your income and expenditure account, our performance materiality was £93,750.

This section contains details of unadjusted and adjusted misstatements, which we have found during the course of our audit work and are obliged to bring to your attention.

Identified adjusted misstatements and unadjusted misstatements are detailed below:

Unadjusted misstatements

No	Description	Income & Expenditure		Balance sheet		Surplus Impact
		Dr £	Cr £	Dr £	Cr £	£
	No unadjusted misstatements					
Impact on I&E Surplus						-

Adjusted misstatements

No	Description	Income & Expenditure		Balance sheet		Surplus Impact
		Dr £000	Cr £000	Dr £000	Cr £000	£000
1	Other income		41			41
	Accrued income			41		
	Being accrued pupil premium income at year end					
2	Tangible assets - depreciation			131		
	Tangible assets - costs				131	
	Being removal of fully depreciated fixed assets no longer held					
3	Actuarial gain		304			304
	Additional pension expense	473				(473)
	Pension liability				169	
	Being LGPS movements arising from the actuarial valuation at 31.08.2017					
4	Fixed assets – fixtures and fittings	5				
	Fixed assets - Computer equipment	8				
	Repairs and renewals				13	13
	Being expenditure items to be capitalised					
5	Land depreciation	54				(54)
	Depreciation charge (Balance sheet)				54	
	Being depreciation charge on land over life of the lease					
						(169)

Appendix 2 - Academy sector developments

Dear Accounting Officer Letter

In his letter to Accounting Officer on 30 June 2017, Peter Lauener, Chief Executive, Education & Skills Funding Agency, highlighted the deadlines for all financial returns due before the end of Summer term 2018, including the new Land and buildings collection tool, which was due to filing on 31 October 2017.

He also took the opportunity to provide an update on the work being completed around the budget forecast return (BFR). The ESFA are considering asking trusts to forecast their financial position over a 3 year period rather than the current 1 year period.

If you would like to know more about how the introduction of a 3 year forecast may affect your Academy please make contact with your Moore Stephens team.

New Academies Financial Handbook 2017

The new handbook came into effect on 1 September 2017. It is pleasing to report that there are no new requirements in this edition, but more emphasis on key points about governance and financial control, in particular:

- Embeds the requirement to address skill gaps in the Trustee board through further recruitment, induction or training;
- Every Trust must have a greater understanding of the roles of members and trustees, including emphasis on having significant segregation of duties
- Every Trust must keep the trust's records of key individuals up to date on Edubase;
- Emphasis has been made to ensure a robust evidence based process is applied to levels of executive pay;
- Further guidance is provided for the appointment of the Trust's statutory auditor; and
- Clarification of which transactions need ESFA approval or H M Treasury approval.

Financial heath and efficiency

Academy budgets are facing pressure so it is critical that Trustee boards have robust oversight of financial heath and efficiency. There are a growing number of Academy Trusts facing financial difficulties and ESFA interventions such as financial notices to improve.

The ESFA have expanded the tools and guidance available to Academies to develop your financial management covering subjects such as budget planning, benchmarking, financial governance and effective procurement including examples of good practice across the sector.

Where your Academy is having difficulties in balancing your budget now and in the next three years we would encourage you to review the guidance issued by the ESFA and discuss with your Moore Stephens team as soon as possible.

Annual accounts return – earlier submission date

Each Academy with a year end on 31 August who have not converted during the year is required to submit and annual accounts return (AAR) to the ESFA by 19 January this is an earlier submission date than in previous years. . The AAR helps the ESFA to consolidate all of the academies accounts into the Department for Education annual accounts.

The process for submitting the AAR for submission by 19 January 2017 is through an on-line portal. If you require any help or assistance with the AAR please contact your Moore Stephens team.

General Data Protection Regulation (GDPR)

The GDPR will apply in the UK from 25 May 2018. The principles of GDPR are similar to those in the current Data Protection Act with added details and a new accountability requirement. The GDPR requires all Academy Trusts to have systems and procedures in place to comply with the principles of the Regulation. .

In order to achieve this you must:
- Implement appropriate technical and organisational measures that ensure and demonstrate that you comply;
- Maintain relevant documentation on processing activities;
- Where appropriate, appoint a data protection officer;
- Implement measures that meet the principals of data protection by design and data protection by default; and
- Use data protection impact assessments where appropriate.

If you would like to know more about how the introduction of GDPR may affect your Academy please make contact with your Moore Stephens team.

Submission of financial statements to ESFA

The ESFA have made it easier for Academies to submit their financial statements, once they have been signed and approved by the Trust. The financial statements and our Completion report can be uploaded to the ESFA using a submission coversheet rather than using a document exchange. The deadline for submission remains as 31 December.